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Accountancy

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL. ESTABLISHED 1889

VOL. LXVI (VOL 17 NEW SERIES)

OCTOBER 1955

NUMBER 746

The Annual Subscription to ACCOUNTANCY is £1 1s., which includes postage to all parts of the world. The price of a single copy is 2s., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.

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Professional Notes

Borrowing by Local Authorities

EARLY LAST MONTH there was a further advance in the rate of interest on loans from the Public Works Loans Board. It was the fourth increase this year, and came within a month of the previous one (see ACCOUNTANCY for September, page 329).

	Period of Loan		
	Up to 5 years	Over 5 and up to 15 years (Percentages)	Over 15 years
June 1954	2½	3½	3½
March 1955	3½	3½	4
July 1955	3½	4½	4½
August 1955	4½	4½	4½
September 1955	4½	5	5

The latest move no doubt reflects the Treasury's

declared policy of keeping the local loans fund on a broadly self-supporting basis. However, this is the first occasion that local authorities have been so largely dependent upon loans from the fund at a time of high interest rates, and the present situation is likely to bring into sharp relief the Board's normal policy of accepting repayment only by way of instalments spread over long periods, often as long as 60 years.

The capital expenditure of local authorities is now large enough to offer considerable scope for disinflation. Whether, however, it is sufficiently responsive to the rate of interest, or whether only direct measures will avail, has yet to be seen. The education service, although currently a heavy borrower, will not easily be diverted from its objectives by a higher rate of interest, while the roads programme has so recently been partially released from

its bonds that it is not a likely candidate for economies. With the exception of housing, which is in a special case, it is the more marginal local project—the new town hall, swimming bath, or market hall—which, if any, is likely to be cut back by the new interest rates. The disinflationary effect of cuts on marginal capital items of this kind would, however, be limited.

House building is by far the largest class of local authority capital expenditure. Taking the all-in cost of a typical corporation house at £1,750, a one per cent. increase in the rate of interest expands the average annual outgoings by at least £8 15s., and possibly by as much as £15 if the debt is repaid on the annuity basis. There are three possibilities. Firstly, the local authority could let its housing revenue account run into deficit. The burden would then fall on the ratepayers, and the disinflationary effect would be limited to the slight increase in the local rates. Secondly, the associations of local authorities are likely to press heavily for an increase in the government subsidy. This is at present £22 1s. per annum for 60 years and is supported by a contribution of £7 7s. from the rates; in recent years it has tended to move in sympathy with the rate of interest. If subsidies were adjusted upwards, the disinflationary effect of higher interest rates would be much moderated. Thirdly, local authority rents could be allowed to rise sufficiently to absorb the whole interest burden. If rents of new houses alone were adjusted, the weekly increase would be from 3s. 6d. to 6s., or even more according to the cost of the house. An increase of this magnitude might have immediate repercussions on the demand for new houses and a pronounced disinflationary effect. However, most local authorities now own large numbers of houses, and would be inclined to spread the burden, as they are entitled to do, thinly over them all.

It therefore seems unlikely that the rise in the rate of interest can seriously depress the capital expenditure of local authorities, unless it is supported by a restrictive policy on the part of the loan sanctioning

central departments. An estimate is being put about, that total capital formation in the shape of new houses will fall by some £100 million a year, but if municipal housing is to contribute a major part to a cut of this size, direct restrictive action seems inescapable.

Incorporated Accountants at Cambridge University

THE UNIVERSITY COURSES of the Society of Incorporated Accountants came of age last month, when members gathered together at King's College and Caius College, for it is twenty-one years since the Society held its first university course—also at Cambridge. The course held in 1934 at Caius set a new fashion: it was the first week-end university course to be run by an accountancy body. Since then, all the main bodies have organised courses of this kind, to the great benefit of their members, and during the last decade the Society itself has held as many as ten memorable courses at Oxford or Cambridge.

Some 150 members of the Society, eleven of them Council members, were in residence at the course last month (which was presided over by Mr. Bertram Nelson, F.S.A.A., J.P., President of the Society, and Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., Vice-President). They received highly informative and stimulating addresses by Mr. W. G. A. Russell, F.S.A.A. (member of the Council and Chairman of the Course Committee) on *The Valuation of Stock and Work-in-progress*, by Mr. H. L. Layton, F.C.A., F.S.A.A. (member of the Council) on *The Changing Pattern of Audit Practice* and by Mr. H. Major Allen, Barrister-at-Law, on *Advising on Taxation*. Following what is by now the well-tried procedure at these courses, discussions on the papers were held both in groups and centrally, and these sessions provided intellectual refreshment of a high order. There was also a lively discussion on the accountant and management, led by Mr. W. F. Edwards, F.S.A.A. and Mr. J. A. Jackson, F.C.A., F.S.A.A. (members of the Council and of the Course Committee).

Not the least of the advantages afforded by the course was the opportunity for informal interchanges of ideas, judiciously mixed with social activities and relaxation—whether, like the guest night dinner in King's College, of an organised (though light-hearted) nature, or whether, like the poling of punts to Grantchester or the hitting of golf balls at the Gog-Magog Club, depending on the member's own initiative and energy.

Luncheon Vouchers

THE DECISION IN *Sanderson v. Durbidge* on July 27, 1955, that cash meals allowances are taxable in full without any deduction for the expense of meals (see ACCOUNTANCY for September, 1955, page 349) has produced much correspondence and comment on the question of meal vouchers. *Pye Ltd.* devote over two pages of their annual report to the subject. It appears from the Press that the Inland Revenue has stated that if vouchers are not transferable, are available only at a specific restaurant or restaurants and do not exceed 3s. in value, no attempt is made to levy tax. It is somewhat difficult to see the principle on which this limitation of 3s. is based. Either the Inland Revenue practice is strictly in accordance with the law, so that there can be no such limitation as 3s., or it is not in accordance with the law, so that the law should be amended if it is considered that the practice is desirable.

The theory underlying the use of the vouchers is said to be that lower-paid city workers are ensured of a proper meal. But clearly the apparent tax-free advantage is an important factor. There is no doubt that some abuse takes place in that the vouchers are exchanged for other things besides meals. How widespread the abuse is it is impossible to say. *Pye* point out that the restrictions on the use of meal vouchers actually lessen the chances of getting the best meal for the money because if the meal money were paid in cash a recipient could spend it as, where and how he wished; then competition between restaurants would raise standards. The vouchers system ties the recipients to a group of restaurants with

"a dangerously assured patronage and an unyielding menu." That is one point of view.

There is no doubt that the voucher system is growing and we should like to see the tax position placed beyond any doubt.

Accountants' clerks are in a peculiar position in that they have to do a great deal of travelling that is commonly outside the range of the restaurants covered by the vouchers. We understand that in some cases this is dealt with by buying-in the vouchers, a practice that seems to us to be definitely outside any non-taxable provisions.

The Organisation of Accountants' Offices

COMPARISONS OF THE ways in which large and small firms of professional accountants are organised, and contrasts between them, were highlighted in two papers read at the recent summer school of the Institute of Chartered Accountants of Scotland, held at St. Andrew's University. Mr. R. T. M. McPhail, M.B.E., C.A., spoke on the management of the larger firms and Mr. Robert Crawford, C.A., F.C.W.A., on that of the smaller.

The problems of large and small practices were in many ways similar, but they were greatly magnified in the larger firms, for which the solution lay in the ability to appoint a person, with or without a staff, to take care of each aspect of the office work. To quote one example, Mr. McPhail said that the general office would be under the control of a head messenger, whose duties would include the supervision of the staff of messengers. To the great majority of firms of accountants the job of messenger is a part of the duties of a very junior member of the staff.

To many accountants the huge practising firm will appear to be rather soulless in comparison with the smaller firm. Mr. McPhail emphasised, however, the importance of personal relationships—between the partners, by regular formal and informal meetings, and between partners and staff. "It is essential to spot at an early date the man of more than average ability and, by offering him

attractive terms as to remuneration and pension rights, variety of work and prospects, to induce him to make his future with the firm."

There was an informative contrast between the methods suggested for keeping time records and costing the fees. Mr. Crawford described a very comprehensive system, based on standard costing, operating in his office.

Mr. McPhail advocated what he called the orthodox method of evaluating time taken by individuals at daily rates, varying according to their classification: the rates, which were usually assigned to members of the staff in a fixed relationship to their salary, were designed with a margin to cover overhead expenses and to provide a reasonable profit. Mr. McPhail hinted at a punched card system, whereas Mr. Crawford had costed his own costings system at 11s. per week, a figure which would suggest that the system is less complicated than the lecture and the specimen forms suggested. Mr. Crawford rightly said "It is an axiom that such costing records by themselves, no matter how interesting they may be, are worthless unless they can serve as a guide to action" and he developed the theme that the budget of output at standard rates should be a guide in staff planning.

The large firms had a staff of experts to deal with every main subject in the work of the profession; while such extreme specialisation was clearly impossible for smaller firms. Mr. Crawford considered that in all but the smallest one partner should specialise in taxation.

Neither lecturer thought that the office should keep a register of letters received, but both advocated that one carbon copy of outward letters should go on the client's correspondence file and another carbon copy should be filed in date order and indexed against the possibility of the first going astray, the copies being on different coloured paper. Mr. Crawford keeps a third carbon copy, a "follow-up" copy, if there is likely to be any future action: this copy is retained on a suspense file until the action is finished, and it is then destroyed.

Articled Clerks and National Insurance

THE POSITION OF articled clerks under the National Insurance scheme is described in Leaflet N.I.31, *Apprentices*, issued by the Ministry of Pensions and National Insurance. The term "apprentices" is defined as including "persons articled to accountants, solicitors, and other professional men." An articled clerk aged eighteen or over must pay the full employed person's share of the weekly contribution if he receives remuneration of more than 60s. a week; up to June 6 last the limit was 30s. a week. The new limit is the same as the one under which self-employed and non-employed persons are exempt from paying contributions (see ACCOUNTANCY for July last, page 247).

An articled clerk who receives any remuneration, whether in cash or in kind, is regarded as "gainfully occupied" and a weekly stamp is required of 12s. 9d. for a man or 10s. 5d. for a woman aged eighteen or over, or of 7s. 5d. or 6s. 1d. under that age. The articled clerk's contribution is 6s. 9d. for a man or 5s. 6d. for a woman receiving remuneration of more than the new limit of £3 per week, or 4s. 1d. or 3s. 4d. if the remuneration is £3 or less. A clerk under eighteen contributes 3s. 11d. or 3s. 3d. if receiving any cash remuneration.

If the articled clerk receives no remuneration in money but the employer provides some benefit such as luncheon vouchers (see ACCOUNTANCY, January, 1954, page 33), the full cost of the stamp is payable by the employer.

If there is no remuneration of any sort, the articled clerk is exempt from contributing to National Insurance: up to the age of eighteen he receives a credit of contributions and after that age has the option of paying contributions at the non-employed person's rate (the effect on benefits is explained in leaflet N.I.30, *Students*). His principal, however, must pay the contribution to industrial injuries (11d. for a man or 7d. for a woman aged eighteen or over, 6d. or 4d. under eighteen).

Both leaflets mentioned are ob-

tainable at any local Pensions and National Insurance Office.

Society Dinner

A DINNER WILL be held at Incorporated Accountants' Hall on Monday, November 28, when the principal guest will be the Rt. Hon. R. Maudling, M.P., Minister of Supply. Members of the Society who wish to attend this dinner are requested to make application as soon as possible to the Secretary of the Society. The inclusive charge for the dinner is £2 12s. 6d. per head and each member may invite one personal guest. The dinner will be at 7 for 7.30 p.m., and the dress will be dinner jackets.

Seventy Years of Accountancy Education

THE SEVENTIETH ANNIVERSARY of H. Foulks Lynch & Co. Ltd. has been marked by an attractively produced and illustrated booklet, *Seventy Years of Progress in Accountancy Education*. It was in 1884 that the late Mr. H. Foulks Lynch began his system of personal and correspondence courses in accountancy.

The sixty-three pages of the booklet include a foreword by Mr. Ronald Staples; a history of the organisation; reminiscences by Mr. E. E. Spicer, F.C.A.; notes on the successive offices and the history of their districts; statistics of examination successes; a report of the jubilee dinner in 1934; messages from former pupils; and a list of textbooks by past and present members of the staff.

In the seventy years approximately 30,000 successes have been gained in the examinations of the professional accountancy bodies. There is an impressive record of Honours awards. From November 1945 to November 1954, thirty pupils gained first places in the examinations of the Institute, twenty-nine in those of the Society, and ten in those of the Association.

Honour is due to the famous personalities commemorated in these pages. Mr. H. Foulks Lynch was joined by the late Dr. D. F. de l'Hoste Ranking, M.A., LL.D. Later the late Mr. W. F. Wiseman, F.C.A.,

was the first of the continuing succession of practising accountants whose experience has been so valuable to the students. Then the business was acquired by Mr. E. E. Spicer, F.C.A. (who had been articled to Mr. Wiseman) and his partner, the late Mr. E. C. Pegler, F.C.A. They introduced new methods and ideas, and wrote a number of textbooks to supplement the scanty literature then available. In 1928 the company passed into the control of Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., and Mr. W. W. Bigg, F.C.A., F.S.A.A., the present joint managing directors. Their colleague on the Board is Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A., director of studies, who joined the staff in 1919.

On behalf of our readers—many of whom have been or are being prepared for their examinations by H. Foulks Lynch & Co.—we have pleasure in congratulating this famous coaching college on its achievements and wishing it continued prosperity in the future.

Accounting Investigations in the Fish Industry

THE *White Fish Authority* tried to obtain information on costs and earnings in the various sections of the fish industry, but, as reported in our issue of September, 1953 (page 283) could not secure sufficient co-operation from traders and vessel owners. The Authority thereupon decided to invoke its powers to require the keeping of adequate records by those in the industry and the furnishing of accounting information by them. In May, 1954, it published its proposed regulations on the keeping of books and records. Among the objections made to the regulations were two of principle. The *Fisheries Organisation Society* urged that inshore fishermen would find the keeping of records burdensome. The *National Federation of Fish Friers* argued that the Authority had the power to require the keeping of records and the power to inspect them so far as they related to white fish, but not to other commodities, and that it was not practicable for a frier to keep separate records. Having considered the objections, the

Authority decided to make the regulations and submitted them to Ministers for confirmation. The Ministers, after hearing the principal objectors, had discussions with the Authority, and as a result it was decided to try once more to obtain sufficient information by sample returns from the industry, leaving the proposed regulations in suspense for the time being.

The Authority is consulting the representative organisations of the industry on the form of questionnaire to be used for each section, but to ensure the return of questionnaires will rely upon the powers which it already possesses to require the furnishing of records and other information needed for the discharge of its duties. The accounting information is stated by the Authority to be essential to a proper understanding of the movement of prices and of the costs structure of the industry. The intention is to complete the sample investigation this year.

Hire Purchase in Eire

IT HAS BEEN officially announced in Dublin that the Ministry for Industry and Commerce is conducting an investigation into hire purchase trading. In recent years there has been a considerable increase in this business in Eire. Until the war deferred payment facilities were largely restricted to motor cars and furniture, but now they have been extended to a wide range of consumer goods. According to the Central Bank of Ireland the amount outstanding on hire purchase borrowing in the Republic has increased from £5.5 million in 1952 to £6.4 million in 1953, and provisional figures indicate a further increase in 1954 to £8.5 million. Of these amounts companies outside the Republic, for the most part British hire purchase concerns, accounted for £2.3 million in 1952, £2.6 million in 1953 and approximately £4 million in 1954.

In a recent debate in *Dail Eireann* numerous allegations were made of over-charging by firms operating on hire purchase terms and the Minister for Industry and Commerce has indicated that the investigation will



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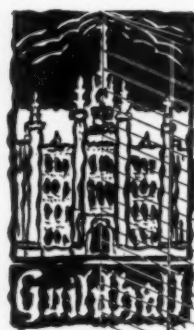
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include a review of profit margins. Under existing legislation the Minister has power to regulate prices, either by restricting profit ratios or by fixing maximum prices for any class of goods.

It would appear, however, that Eire does not intend to follow the example of the British and other governments and to restrain demand by a curtailment of hire purchase trading (or, indeed, by any other method). As a result of Government pressure the Irish banks did not alter their rate structure following the last increase in the British Bank Rate and it seems unlikely that there will be any "credit squeeze" in the Republic.

The New Rating Lists—

THE RATING AND Valuation (Miscellaneous Provisions) Act, 1955, provides for the procedure to be followed in the preparation of the new valuation lists. It also makes certain amendments in the law on the making and levying of rates; the rating of Gas Boards; relief from rates for places of religious worship; rating of charitable and other organisations; contributions for rates on police buildings; increases in controlled rents; charges for levying distress, and other minor matters.

The valuation officer must transmit the new list, together with a copy, to the rating authority not later than December 31 preceding the date on which the list is to come into force. In exceptional cases the Minister can extend the period. Immediately on receipt of the list the rating authority must give notice of the list and of the right of persons to inspect the list and to appeal.

The provisions relating to the rating of churches are designed to continue the existing exemption, but to bring into rating any excess of letting receipts over expenses. Charitable organisations are defined and provision is made for a limitation on the rates payable on their hereditaments.

There will be but a short time between the deposit of new valuation lists by the Inland Revenue and the operation of the local rates for 1956/57 on April 1 of next year. This con-

sequence of the Act is causing concern to rating authorities since it will mean that the work of altering records, address plates and so on will have to be done very hurriedly.

—And a Problem for County Councils

COUNTY COUNCILS ARE concerned about a more subtle problem—the difficulty in estimating the penny rate product for 1956/57. If a valuation is increased by the Inland Revenue, compared with the previous valuation, and an appeal is made for a reduction, then subject to certain exceptions, until the appeal is settled the rate levied by the local authority cannot exceed that levied for the previous year. Most valuations are likely to rise, but those of industrial and commercial premises by more than those of residential premises. Even allowing for reduced rate poundages, it is probable that most traders and other business people will thus receive rate demands for larger rates. Many appeals against these demands must, therefore, be expected and until they are settled the rates payable will be "frozen" at the figure of the previous year. As the valuation courts will be exceptionally busy, some appeals may well remain unheard during 1956/57. As a county council fixes its rate on the estimated aggregate of the penny rate products for all the rating authorities in its area, there is need for some uniformity in the method of estimating the rate products by the authorities. Normally, the estimate is made on the assumption that losses on collection, costs of collection, and revisions of assessments will follow the same broad pattern as in the previous year. But for 1956/57 the losses on collection will be most difficult to estimate, partly because of the possibly large (but unpredictable) number of appeals and the sums at stake, but also because of the deficiency in rate income from appeals remaining unheard. Any arrears of rates for 1956/57 resulting from delay in hearing appeals will presumably be reckoned as rate income for the year in which the appeals are settled. Thus rate products and rates levied for 1956/57 may be widely different from those for 1957/58. In areas with a

preponderance of industrial and commercial hereditaments the rating authorities might find, to their embarrassment, that the actual rate income for 1956/57 proves to be much below the estimate.

Even though the estimate of rate income for 1956/57 would remain uncertain, both rating authorities and the county councils would derive some advantage if there were a uniform method of estimating the losses on collection so that one district would not benefit at the expense of another. One method might be to estimate the proportion of the total individual increases in the assessments likely to qualify for protection under Section 1 (7) of the Act; to calculate the product of a penny rate on the assumption that the valuation list would operate as it stands; to compute the rate levy on estimated expenditure so far as known; to apply the rate to the "Section 1 (7) assessments" to arrive at an estimate of the losses on appeals; and then to re-estimate the product of the penny rate, for the final making of the rate.

An Analysis of Social Service Accounts

A STUDY OF *The Income of the Voluntary Social Services of Manchester and Salford in 1951 and a Comparison with 1938*, by Irene Green, B.Sc., and G. W. Murphy, B.A., F.C.A., has appeared in a special number of *Social Welfare*, published by the Manchester and Salford Council of Social Service, price 1s. (by post 1s. 3d.).

The study is based on the accounts of between 250 and 300 organisations in each of the two years. They are divided into seven groups: hospitals; other health services; the handicapped; relief; homes; social rehabilitation; and social welfare.

An analysis of sources of income shows that total charitable gifts (subscriptions, donations and legacies, as opposed to interest, grants and users' contributions, and sundries) were £418,000 in both 1938 and 1951. Reflecting their nationalisation in 1948, the share of the hospitals fell from 68 per cent. to 40 per cent. between the two years. The increase

in charitable gifts to other groups almost compensated them for the halving of the value of money over the period. Total annual subscriptions fell to a third of the pre-war figure, in spite of the encouragement provided by the fiscal treatment of deeds of covenant, but the fall was concentrated in subscriptions to hospitals. Donations and legacies became more important.

The authors consider that giving to charities is at a not unsatisfactory rate, considering the level of taxation. But they hint that the voluntary bodies might with advantage have been the recipients of some of the money still given by private persons to hospitals.

We understand from the authors that inconsistencies in the form taken by the accounts of the organisations caused difficulties in the work of analysing the data. Some organisations used a receipts and payments account, others an income and expenditure account. On occasions income could be analysed only after greater detail had been obtained from the organisation by request. It is hoped that more conventional and comprehensive accounting reports will be made in the future; the charities themselves stand to gain by surveys of the kind originated by Miss Green and Mr. Murphy.

Preventing Disablement by Rheumatism

BETWEEN TWO AND THREE million people in this country suffer from rheumatism—half a million in the potentially crippling form of arthritis—but the few hospitals with specialist rheumatism departments are so short of beds that there is often a delay of nine to twelve months before admission. This delay not only prolongs suffering and absence from work, but prejudices the chances of ultimate recovery. Rheumatism has been found to be a very common cause of absence and of premature retirement of employees.

The *British Rheumatic Association* has now planned a chain of hostels throughout the country. Each will be near a hospital with a rheumatism department, so that patients can be accommodated at the hostel and go

daily to the hospital for treatment.

The first hostel is in operation at Bracken Hill House, Northwood, Middlesex. It receives patients from all over Great Britain and provides transport by car or ambulance to Mount Vernon Hospital. Treatment at the hospital is free. The charge for accommodation at Bracken Hill House varies from £4 15s. upwards—single rooms £6 6s. to £7 7s. The hostel is luxuriously appointed, and no profit is made. The charge may be paid by the patient or by his employers or his Benevolent Fund. Some firms have taken out special membership, paying £250 a year: this entitles them to nominate one patient at a time for accommodation at Bracken Hill.

Bracken Hill House was opened a year ago. Many patients have been cured, and others who were bed-ridden have been enabled to return to work, after a few weeks at the hostel. The average stay is from six to eight weeks.

Further details, including particulars of free welfare and advisory services, are available from The British Rheumatic Association, 11 Beaumont Street, London, W.1.

Shorter Notes

Stamp-Martin Seminars

The Stamp-Martin Professor of Accounting has arranged for two seminars to be held at Incorporated Accountants' Hall. A discussion on *Problems of Social Accounting* on October 11 will be led by Mr. D. K. Burdett, of the Cabinet office. On November 2, Mr. A. T. Wilford, Director of Research, London Transport Executive, will lead the discussion on *Operational Research in Accounting*. Both seminars will start at 6 p.m. They are open to all, but those who wish to attend are asked to notify in advance Mr. T. W. South at Incorporated Accountants' Hall, London, W.C.2.

Interest on Winding-up Balances

If the Board of Trade holds a balance in excess of £2,000 to the credit of a company in liquidation and the liquidator gives notice that the excess is not required for the liquidation, the company is entitled to interest on the excess under Section 362 (4) of the Companies Act, 1948. The rate of interest has been

raised with effect from September 1 from 1½ per cent. to 2½ per cent. by the Companies Liquidation Account (Interest) Order, 1955 (Statutory Instrument 1955 No. 1,343—Her Majesty's Stationery Office, 2d. net).

Higher Interest on Tax Reserve Certificates

The fourth increase of this year raises the rate of interest on tax reserve certificates to 2½ per cent. per annum, free of tax. Certificates of the seventh issue subscribed since September 10 bear this higher interest; on certificates of that issue subscribed before that date interest of 1½ per cent. remains payable. Earlier issues bear still lower interest.

Easy House Purchase

The scheme under which, with the help of guarantees from the Government and local authorities, the building societies lend to small mortgagors more than the normal maximum for advances (see *ACCOUNTANCY* for June, 1954, page 204) was last month extended—a move that seems somewhat inconsistent with the general restrictions on borrowing. Mortgages of 95 per cent. can now be obtained on post-1918 houses costing up to £2,500 instead of £2,000, the previous limit. More than 900 local authorities now take part in the scheme.

More National Income Statistics

The Blue Book, *National Income and Expenditure*, which appeared last month (Her Majesty's Stationery Office, price 6s. net) amplifies the statistics contained in the White Paper, *Preliminary Estimates of National Income and Expenditure 1948 to 1954*, published last March (and noted in *ACCOUNTANCY* for May last, page 163). Among the new tables is one showing, separately for the five categories accounting for final output (consumers' expenditure, public current expenditure, increase in stocks, capital formation and exports) the content in terms of the four categories of primary input (income from employment, gross profits, imports and taxes) in 1950. It is noteworthy that the import content of consumers' expenditure was the same as that of exports, at 21 per cent., while that of capital formation was only 13 per cent.

Business Efficiency Exhibition in Belfast

The next regional Business Efficiency Exhibition, which is planned to follow more closely than hitherto the lines of the national exhibitions, will be held at the King's Hall, Belfast, from October 31 to November 5.

EDITORIAL

Wage Inflation

ONE of the most crucial areas of economic policy today is one in which policy is practically non-existent and economics lends very little aid. It is the area in which are determined the wages payable to labour. In conditions of full employment the bargaining power of trade unions is enormously strengthened; with a monetary system as elastic as ours has been (at least until recently) not much pressure is needed to make employers raise wages, for they can easily raise prices too. In a dynamic economy, "differentials" among groups of workers—particularly between skilled and unskilled—are bound to move, but the accustomed differentials are rooted in the experience and the history of those who have benefited from them in the past, and their resistance to change leads to a bidding-up of wages all round. Wage fixing is then a process that is little more orderly than a free-for-all: about the only certain outcome is that wages will rise, some in greater and some in smaller degree. And the inflation of wages leads to a wage-induced inflation.

It is true, to be sure, that an inflation usually has a plurality of causes. Some economists have recently been emphasising the present significance of causes other than the pushing up of wage rates. Mr. R. F. Harrod finds the main inflationary impulse in a too rapid re-equipment of industry with capital assets, producing an excess demand upon available resources. The *British Employers' Confederation*, in an economic manifesto especially noteworthy because it is the first which the body has issued since 1931, gives pride of place to exaggerated Government spending or, more fundamentally, to the outbidding of each other by the political parties "in their promises of costly benefits to one section or another of the electorate, leaving the general public to foot the bill." Nevertheless, wage inflation must be named as an inflationary factor of great potency.

A distinguished economist, Professor J. R. Hicks, addressing the British Association at Bristol last month, devoted himself to an examination of the theory of wage fixing in the modern economy. He noted that the years since the war had been marked by a continual rise in the wage index, rarely falling short of 4 per cent. per annum. He did not, however, subscribe to the opinion that full employment implied a long-period inflationary trend produced by rising wages. The main factors causing wages to advance in recent years were, he thought, the dismantling of price controls, leading to a once-and-for-all rise in the cost of living, with a consequential upward adjustment of wages, and the setting up of a new pattern of relative wage rates after the disturbance of the war. In his closely reasoned chain of argument there seem to be three rather weak links. Firstly, he considered that trade unions were unlikely to press money wage claims in the realisation that the result could only be a rise in the cost

of living and, thus, a later decline in real wages. Secondly, he thought that the unions had persuaded themselves that it was undesirable to claim for higher wages on the strength of higher profits, for the reason that if it were accepted that wages should go up when profits were high, it would follow that they should not go up or should even go down when profits were low. Thirdly, he contended that wage claims were not put forward on the mere ground that workers would like to have higher real wages: they were supported by appeal to an increase in the cost of living, or to restore differentials. If productivity was rising, however, prices would be falling, so that "there is no need for there to be any pressure for rising money wages on account of the cost of living." But on the first of these three counts, those unions that are towards the front of the queue for wage advances will certainly obtain at least a temporary advantage, since it will be some time before retail prices will catch up with their wages. On the second count, our observations go to show that the unions do certainly argue that higher profits should mean higher wages. There is not so much logic in wage negotiations that the unions need greatly fear the argument in reverse—indeed, it is not necessarily good logic (or good economics) to require symmetry in the reasoning. On the third count, whatever may be the reasons put forward by unions for wage increases, surely their motivation often is simply that they would like to have higher real wages.

If, *pace* Professor Hicks, wage-induced inflation is to be expected in the absence of corrective measures, the question remains: what are the corrective measures to be? It is to this question, in our view, that attention should now be directed. The recent meeting of the Trades Union Congress showed that the majority of trade unionists are at the moment prepared to use some moderation in putting forward wage claims, but at the same time it is clear that restraint on the scale practised when Sir Stafford Cripps was Chancellor of the Exchequer could be expected over a longish period only as a *quid pro quo* for the freezing of dividends. If dividends are frozen, then the flow of capital becomes a glacier—a most untoward consequence in an economy still depending on private enterprise over some 80 per cent. of its range. There is more hope in aiming at gearing wages to productivity, but it must not be overlooked that increased productivity does not result solely from the efforts of the workers and that in a progressive economy part of its fruits should accrue to the consumer in lower prices. Perhaps the most hopeful line of advance is to devise what in this country are so far virtually unknown, wage contracts with a tenure of several years, giving to the employer foreknowledge of his future wage commitments, in return for advances made to the worker periodically during the contract, preferably in relation to productivity.

Assignments of Debts

By W. H. D. WINDER, M.A., LL.M.

THE LEGAL EFFECTS of an assignment of a debt stem from many abstruse legal principles and rules of equity which are set out more or less coherently in the legal textbooks. For most practical purposes, however, the relevant rules are few. But their application to the facts of commercial life is sometimes difficult and may sometimes appear to lead to surprising results, as in the recent case of *Walter & Sullivan, Ltd. v. J. Murphy & Sons, Ltd* [1955] 2 W.L.R. 919.

The differences between legal and equitable assignments of (a) legal choses in action and (b) choses in equity so far as (i) consideration and (ii) a deed is present, together with the respective effects of a declaration of trust, are of profound interest to the lawyer and may have practical effect in rare cases. But in considering ordinary commercial assignments of debts two simpler distinctions answer most problems if properly applied. These are the distinctions between a statutory and a non-statutory assignment and between an absolute assignment and one that is not absolute.

A frequent reason for assigning a debt is to obtain commercial credit. If the debt has to be enforced, the two distinctions become of great importance, for they determine which party or parties may take legal action and how it should be taken. Unnecessary costs may be incurred if the inappropriate procedure is followed.

Statutory Assignments

The direct legal assignment of a debt is sanctioned by Section 136 (1) of the Law of Property Act, 1925, replacing earlier legislation. Such a statutory assignment can take effect only if certain conditions are fulfilled, but if they are fulfilled the creditor or assignor transfers to his assignee the legal right to the debt. This means that the assignee may take legal remedies in his own name to enforce the debt and give a good receipt or discharge of the debt without the concurrence of the original creditor.

The conditions of a good statutory assignment are: (i) the assignment must be in writing, under the hand of the assignor; (ii) it must be absolute and not by way of charge only; (iii) express notice in writing must be given to the debtor.

A deed is not necessary. The Act gives the assignee the complete legal title whether or not he gave consideration to the assignor. In commercial transactions consideration will normally be present but the Act does away with the necessity of trying to spell consideration into a transaction in which it is not expressed or readily apparent. It has been held by the Courts (see *Re Westerton* 1919 2 Ch. 104) that the presence or absence of consideration is

immaterial, but this proposition was really self-evident from the wording of the Act.

Non-statutory Assignments

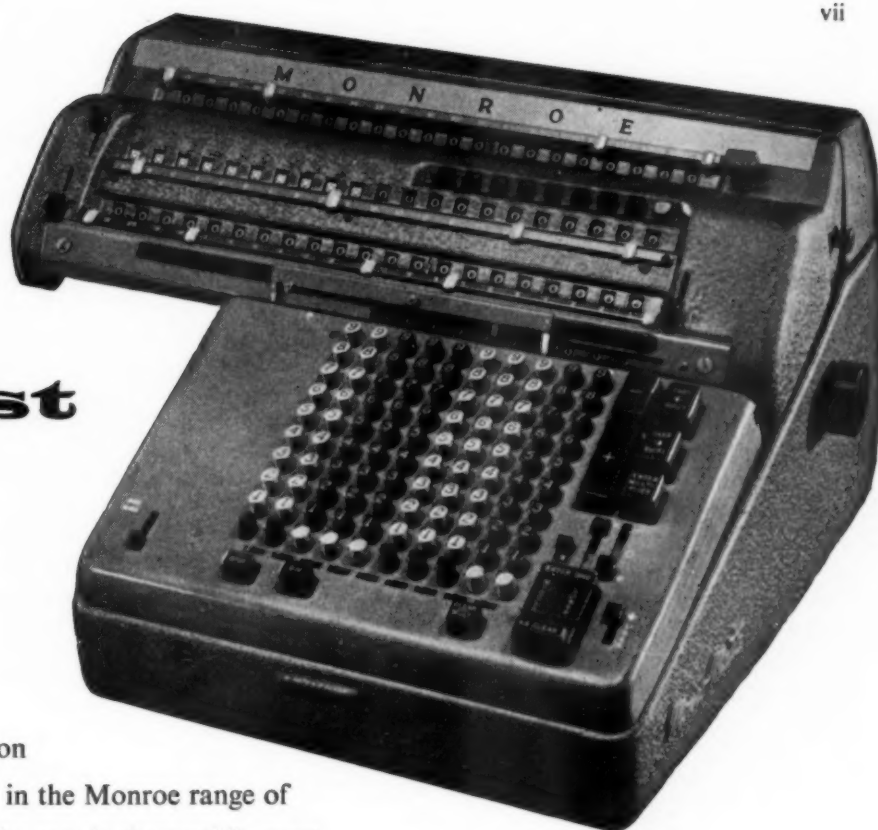
A purported assignment of a debt may be legally operative although it does not satisfy the statutory conditions. The salient difference would be that the assignee could not sue the debtor in his, the assignee's own name. He could sue the debtor only by making the assignor a party to the action. The obvious way of making him a party is to obtain his consent to the use of his name as plaintiff or as co-plaintiff. But if he refuses his consent, then the assignee can just as effectively bring him into the action by making his assignor a co-defendant with the debtor. Unless one of these procedural steps is taken the assignee's action against the debtor would fail. It would never get on its feet at all. The Court would dismiss the action without going into the merits of the case or going into the legal merits of the purported non-statutory assignment.

A non-statutory assignment of a debt falls within the legal category of an equitable assignment of a legal chose in action. No set form is necessary for such an assignment. A non-statutory assignment of a money debt may even be by word of mouth. Nor is notice to the debtor necessary to complete such an assignment as against the assignor and persons claiming under him. But it is highly desirable to give the debtor notice, in order to prevent him from paying the assignor and in order to preserve priority over any subsequent assignees of the debt.

It is not proposed to go fully into the question whether consideration as between the assignor and the assignee is necessary to make a non-statutory assignment of a debt effective. In commercial transactions there normally is consideration, even though it may be a matter of some nicety to formulate it. Consideration can usually be found by a lawyer to exist if he is pressed to find it. If it does not exist then the better view is that a non-statutory assignment will be ineffective as a gift. The reason for this is that the assistance of equity may be required to enable the assignee to bring an action in the name of the assignor. And "equity will not assist volunteers" or, in simpler and more modern language, the Courts will not give their aid to gratuitous transferees, when the transfer is incomplete according to the ordinary law.

A good illustration of a non-statutory assignment of a debt is to be found in the case of *Brandt v. Dunlop* (1905 A.C. 454). Here, a debt had been clearly assigned and the debtor understood the position, but the assign-

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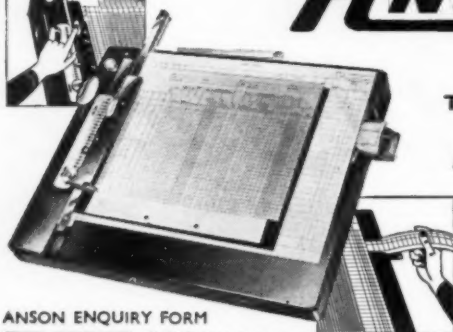
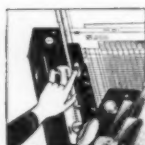
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TAXATION

ment had not been made in writing as required by the Act. The debtor chose to disregard the oral notice which had been given to him and paid the assignor. He was obliged to pay over again to the assignee.

Absolute Assignments

A statutory assignment must be absolute, and not by way of charge only. This statutory provision is not quite what it might seem at first glance for the Courts, in interpreting the Section, have made it clear that an assignment may be absolute for this purpose even though the object of the assignment be to give security to the assignee, such as a bank, for a loan. A mortgage subject to redemption may be an absolute assignment. In *Hughes v. Pump House Hotel, Ltd.* (1902 2 K.B. 190) a contractor for certain building work executed an instrument in writing by which, in consideration of bankers' continuing a banking account with him, and by way of continuing security to them for all moneys due or to become due to him from the building owners, assigned to the bankers all moneys due or to become due to him from the building owners under the building contract. This was a typical assignment to a bank to secure credit. Notice in writing of the assignment was given to the building owners. But was it "absolute"? It was held to be absolute and that, as a consequence, the bank, not the builder alone, was the proper party to sue the building owners for what was due.

This ruling by the Court of Appeal is of importance for it establishes that a mortgage, or what may be called a transfer to a bank as security, is not necessarily a "charge" within the Act. Lord Justice Mathew explained the point in this way:

It seems to me clear from its terms that the intention was to pass to the assignees complete control of all moneys payable under the building contract, and to put them for all purposes in the position of the assignor with regard to those moneys. That being so, I think this instrument may be properly described as an absolute assignment, because it is one under which all the rights of the assignor in respect of the moneys payable under the building contract were intended to pass to the assignees, and not one which purports to be by way of charge only.

The distinction is well put by Cozens Hardy, L.J., in the same case:

If, on the construction of the document it appears to be an absolute assignment, though subject to an equity of redemption, express or implied, it cannot in my opinion be material to consider what was the consideration for the assignment, or whether the security was for a fixed and definite sum, or for a current account. In either case the debtor can safely pay the assignee, and he is not concerned to enquire into the state of the accounts between the assignor and the assignee.

On this principle it has been held in *Tancred v. Delagoa Bay Ry. Co.* (1889, 23 Q.B.D. 239) that the term "absolute assignment" includes a mortgage of a debt with a proviso for re-assignment. In *Comfort v. Betts* (1891 1 Q.B. 737) an assignment was made of certain debts to a trustee on trust for the benefit of the creditors of the assignor and it was argued that this did not amount to an absolute assignment of the debts. But it was pointed

out in answer that by the terms of the instrument creating the trust the whole interest of the assignor was intended to be conveyed to the assignee, and the subsequent creation of the trust did not derogate from the absolute character of the assignment.

This reasoning inspired the decision in *Bank of Liverpool & Martins, Ltd. v. Holland* (1926, 43 T.L.R. 29). H. owed £285 to W. who owed money to his bank. W. assigned to his bank the £285 owed to him by H., the assignment providing that "the amount recoverable under these presents shall not exceed at any time £150." The Court held that this was not an assignment of part only of a debt, but an absolute assignment of the whole debt with a proviso that if the bank recovered more than £150 they should hold it as trustees for W. In *Burlinson v. Hall* (1884, 12 Q.B.D. 347) an assignment of a debt on trust that the assignee should pay himself a certain amount thereout and pay the rest to the assignor was held to be an absolute assignment.

Assignments by Way of Charge

A mortgage is not mentioned in the Act, and where there is an absolute assignment of the debt the limiting words in the Act, "not by way of charge only," are not sufficient to exclude an absolute assignment which is also a mortgage. It is only if the debt is not completely assigned or if the debt is "charged" that the assignment is non-absolute. In *Durham v. Robertson* (1898 1 Q.B. 765) the assignment of a book debt was to endure until, and only until, money lent by the assignee to the assignor was repaid. This was held to be not an absolute, but a conditional assignment, the debtor being left in uncertainty about the state of affairs between assignor and assignee. Though it was a good equitable assignment, the assignee could not succeed in an action against the debtor without joining the assignor in the action.

Other illustrations of assignments by way of charge are *Mercantile Bank of London v. Evans* (1899 2 Q.B. 613) and *Jones v. Humphreys* (1902 1 K.B. 10). In each of these cases general terms were used in making the assignment, but, when the whole instrument was looked at, it appeared that what was intended was to assign only so much of the debt as would provide security for a debt owing from the assignor to the assignee, in the one case of £200 and in the other of £22 10s. It was in consequence held that the true character of the interest given was that of a charge only.

To reconcile all the legal decisions on the question of what is an assignment by way of charge is not easy. The Court of Appeal in *Walter & Sullivan, Ltd. v. J. Murphy & Sons, Ltd.* (cited above) seemed to have felt no difficulty in holding that the assignment in that case was by way of charge, although few previous decisions were referred to or distinguished. A plaster-work contractor made an assignment to his suppliers of moneys owed to him from builders. The assignment was in writing and notice in writing was given to the builders. The assignment was in the form of an "irrevocable authority" to the builders to pay to the assignees the sum of £1,558 17s. 8d. from moneys owing from the builders, and the assignees under-

took to pay over to the contractor (the assignor) any moneys paid to them by the builders after the debt of that sum owing by the assignor to the assignees had been repaid, either directly or out of the moneys received under the assignment. From the commercial point of view, this is an ordinary credit-raising or credit-continuing arrangement. The legal nature of the arrangement had to be analysed when the contractor started an action in his own name for £1,808 against the builders and when the builders pleaded by way of defence that the £1,558 17s. 8d. was part of this alleged debt and that it had been assigned. They alleged that no claim lay for any of the money without joining the assignees in the action. The official referee and, later, the Court of Appeal held that this contention was sound and that the action should be dismissed, unless within a fixed period the claim was put in proper form. This could be achieved either by joining the assignees as plaintiffs, should they be willing to be joined in this way, or as defendants, should they not be willing.

In this case it was the assignor who took the step of suing the debtor. Usually in the reported cases it is the assignee who is found suing for the money. But in either case the principle is the same. The action will fail at the outset when the assignment is not absolute if either the assignor or the assignee is an absent party. When an action fails for this reason it has usually been the assignor who was missing but in the recent case it was the assignee.

Charges on Company's Book Debts

The assignor to whom the debt was owed in the case just noted was a company and the assignment was duly registered under Section 95 of the Companies Act, 1948. The Court of Appeal observed that no doubt registration was made as a result of the decision in *In re Kent & Sussex Sawmills, Ltd.* (1947 Ch. 177) where a somewhat similar form of assignment was used. Section 95 (1) is the Section which makes certain charges void as against the liquidator and any creditor of the company, unless the prescribed particulars of the charge, together with the instrument, if any, by which the charge is created or evidenced, is delivered to the registrar of companies for registration. Among the charges to which the section applies is "a charge on book debts of the company."

In the *Kent & Sussex Sawmills, Ltd.* case a company, having contracted with the Ministry of Fuel and Power for the supply of logs, applied for and obtained facilities for a considerable overdraft from its bank on the terms of sending a letter to the Ministry directing them to pay all moneys payable to the company under the contract into the bank, to the company's account, such directions not to be revoked without the consent of the bank in writing. A subsequent contract with the Ministry was financed by a letter in the same form. The company in the following year passed a resolution for voluntary liquidation. It was held, on a summons being taken out by the liquidator, that the letters amounted to charges on book debts of the company and not having been registered under the Companies Act were void against the liquidator in the winding-up. The issue in the case was solely one of interpretation

of the Companies Act, 1929, Section 79, which is the same as Section 95 in the current Act so far as this point is concerned.

It was not necessary for Wynn Parry, J., to consider whether the assignment was an absolute one, not by way of charge only, for the purposes of the Law of Property Act. The proceedings were not being taken by the assignor or the assignee but by the liquidator and were in proper form, whatever the status of the assignment might have been for the Law of Property Act purposes. The relation of the assignment to that Act was not in fact expressly considered, yet the judgment does suggest that the assignment was one by way of charge. The point for consideration was, as Wynn Parry, J., put it, whether the authority given to the Ministry "amounted to an out-and-out assignment in each case of the whole of the company's beneficial interest in the proceeds of the respective contracts or whether in each case nothing more was effected than the hypothecation of the respective book debts by the company to the bank by way of security." He thought that the letters should be construed by bearing in mind that the relationship of the company and the bank was that of borrower and lender. He concluded that he must treat the letter "as amounting to an equitable assignment."

It was held to be "no more than an assignment by way of security" and not "on its true construction an out-and-out assignment of the whole of the benefit accruing or to accrue to the company under the contract." It was, in the words of the Companies Act, "a charge on book debts of the company." This decision is of great importance in Company Law and in all cases in which the assignor of a debt is a company. But it is not a binding authority on the interpretation of the Law of Property Act in dealing with assignments generally. The assignment in this case seems nearer to those precedents of absolute assignments than to those held to be by way of charge only.

A lawyer would not find it illogical for an assignment to be "a charge on book debts of the company" for one statutory purpose and an absolute assignment, not by way of charge only, for another.

Assignment of Parts of Debts

There was, however, another reason in *Walter & Sullivan, Ltd. v. J. Murphy & Sons, Ltd.* why the assignment on the facts of that case was not an absolute one, namely, that the assignment was only of part of the debt owing. It was stated in *In re Steel Wing Co., Ltd.* (1921 1 Ch. 349) that an assignment of part of a debt is not an absolute assignment for the purposes of the Law of Property Act so as to enable the assignee to sue in his own name in an action for the recovery of the money assigned to him. Yet it was at the same time decided in that case that the assignee of a portion of a debt due from a company can present a petition for winding-up the company. Although he has not sufficient legal standing to bring an action in his own name for the money he has sufficient legal standing to present a winding-up petition because, by the Companies Act, any "creditor" can do that and for this purpose "creditor" includes a creditor in equity as

well as a creditor at law (see Section 224 (1) of the Act). There are good reasons for this distinction. The main reason why the assignee of part of debt is required to join all parties interested in the debt in an action to recover the part assigned is that the Court cannot adjudicate completely and finally without having such parties before it. The absence of such parties might result in the debtor being subjected to future actions in respect of the same debt, and might result in conflicting decisions

being arrived at concerning the debt. This reasoning does not apply to a winding-up petition, for after a winding-up order has been made the Court will investigate, adjudicate upon, and settle the petitioner's debt as well as the debts of the other creditors. In adjudicating upon the petitioner's claim to part of a debt the Court will do so in the presence of the persons entitled to the remainder of the debt, and the rights of all parties interested in the debt will be completely and finally settled in the same proceedings.

The Changing Pattern of Audit Practice

AT THE INCORPORATED Accountants' Course held at Cambridge last month, Mr. H. L. Layton, F.C.A., F.S.A.A., presented a paper on *The Changing Pattern of Audit Practice*. This is summarised below.

I—Short Historical Survey

The earliest examples of professional auditing in the modern sense occurred about 1840. The early audits were mostly required by employers as a safeguard against the work of their employees. As public companies grew in number and importance, the system of auditing was applied to satisfying shareholders on the financial information provided by the directors, as well as to satisfying directors on the work of the employees.

A pattern of audit practice emerged gradually with the publication of textbooks, notably that of Professor Dicksee in 1892, and with decisions by the Courts.

The Companies Act of 1862 contained no reference to accounts and audit except the optional provisions in Table A. It was customary for companies of any importance to appoint auditors, but except for banking companies there was no obligatory provision until the Act of 1900.

The 1929 Act made important changes, including for the first time provisions on the form and content of the balance sheet, and requiring a

profit and loss account to be submitted to shareholders. The *Kylsant* case aroused controversy on the profit and loss account, and in 1932 the Society of Incorporated Accountants pronounced that it should show the true balance of profit or loss, and that any abnormal or extraneous debits or credits, together with any reserves from a previous period no longer required, should be stated separately. These recommendations were now absorbed into the Eighth Schedule of the Companies Act, 1948.

Future amendments to the 1948 Act would probably tend towards disclosure of gross and net earnings and clarification of some points such as bases for fixed assets.

II—The Changing Pattern

The detection of fraud, formerly the first object of an audit, was now remote from external auditing, except in the small concerns where internal check might be non-existent or inadequate. There the auditor's labours were more onerous and defalcations were still his concern.

"Test checking in depth" was normally sufficient for the year's transactions, but not for any part of the year-end verifications. The time factor was so important that if the accounting system did not permit of test checking the auditor must ask for the necessary alterations.

From the audit papers prepared by

his staff the auditor could make an analytical survey. To do this he must have a knowledge of his client's business and of current affairs and market conditions, and an ability to sense whether any differences thrown up did or did not accord with facts.

One such survey showed trading results so divergent from those of the previous year that the principal returned the accounts for further examination. It was found that a change in the accounting system had distorted all figures.

Mechanisation made some routine audit work impossible: for example,

CAMBRIDGE COURSE

We have pleasure in publishing in this issue of ACCOUNTANCY summaries of the three papers given at the course held by the Society of Incorporated Accountants at Cambridge University last month.

The paper by Mr. H. C. Layton, F.C.A., F.S.A.A., entitled The Changing Pattern of Audit Practice and that by Mr. W. G. A. Russell, F.S.A.A., entitled Valuation of Stock and Work-in-Progress are to be published in full in the Practice Notes series of the Incorporated Accountants' Research Committee. Copies may be reserved on application to the Secretary of the Committee at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. The prices of these two Practice Notes will be announced shortly.

In our next issue we hope to give a report of the discussion at the course on What are the Defects in the Accountant's Contribution to Management? led by Mr. W. F. Edwards and Mr. J. A. Jackson.

it was no longer practicable to agree a bank pass book with the cash book in total and account for differences. This was not disturbing to the auditor because there were compensating improvements in the internal check. His staff would use their own comptometers in test checking—mainly to ensure that the company's machines were working satisfactorily.

Undue conservatism in the balance sheet was no longer tenable, but there was room for differences of opinion on provisions. On many eventualities the auditor could not be dogmatic, but he should examine closely such items as bad debts and stock provisions.

Heavy taxation, with investment allowances and balancing allowances, was of benefit to the auditor in that records of fixed assets were likely to be accurate.

The auditor had complete independence. Auditing procedure was normally based on the requirements of the Companies Act, and the same principles applied to partnerships and other bodies, but more detailed work might be involved in local or partial audits required as a substitute for internal auditing.

III—Internal Check

Internal check, reinforced where suitable by internal audit, was essential in any medium or large scale organisation. The directors were legally and morally responsible for the maintenance of proper and reliable accounting records, so that the external auditor after reasonable examination could report conscientiously that his requirements were satisfied.

A recent lapse in internal check enabled a bought ledger clerk to obtain goods from a subsidiary in the names of his friends, himself receiving both the invoices and the goods, which he sold for his own benefit. Subsequently he persuaded the subsidiary's ledger clerks to transfer the debts to the parent company, and hid them by manipulating the bought journal. Obviously every stage should have been impossible.

The auditor must have on his working papers a detailed description of the system of accounts and of the

system of internal check. This enabled him to prepare the audit programme and to discover and report to the client basic weaknesses in the system and any deviations from it.

As a guide to the preparation of this information, Mr. Layton gave a list of accounting operations under the main headings of cash and wages, with the principal internal checks appropriate to each operation. Similar methods should be applied to sales, purchases, stores and other matters.

IV—Internal Audit

Mr. Layton gave as reasons for the development of internal audit the growth in size of undertakings, with the resulting volume of work and the restricted time available for external audits; the need for early detection of defalcations; and the fact that the management were themselves responsible for administration.

The internal auditor must possess character and independence within the organisation.

The professional auditor was concerned with the extent to which the internal audit department controlled internal check, and how much detailed auditing it covered of a kind to fit in with his requirements. Probably the department could itself check only a portion of the year's transactions.

V—Detail Work—Programme and Schedules

Nowadays no audit of any size would be embarked upon without a preliminary review and compilation of a programme. The audit clerks would work to this programme, and the manager would see that it was completed before the principal began his examination.

The clerks would first enquire about the internal check and ascertain whether it remained in operation.

Every audit must have a separate programme. As an illustration only, Mr. Layton presented a programme of purely routine work in progress throughout the year in a medium sized manufacturing organisation with outside factories, all accounting

work being centred on the head office and with reasonable internal check. The year-end work and verifications would be the subject of another programme. A summary was also given of the schedules which would form the mainspring of the audit record and dossier: these were coded and supporting documents referenced thereto for convenience in assembling them for the principal's scrutiny at the end of the audit.

VI—Verification, excluding Stock

Mr. Layton explained that his paper did not cover banks and financial institutions.

All cash and securities of every kind should be verified by actual inspection or by the certificate of a recognised custodian.

Bank and similar balances should be verified by direct application by the auditor to the bank.

The American practice of circularising debtors asking for their agreement, or the negative method of inserting a request on the year-end monthly statement asking them to communicate discrepancies, brought few replies and was therefore of doubtful value. Debts must therefore be scrutinised, to see that they were of recent origin, for specific invoices, and within the terms of credit, and where this was not so questions must be asked. Export debts could often be verified by reference to correspondence or to a guarantee, or there might be bills receivable in the hands of a bank for collection, when the bank would certify this. Inter-company indebtedness and non-trading loans could be directly confirmed.

On hire purchase debts the auditor must observe the maintenance of the system where proportionate profit was brought in on the instalments paid. The first month's profit was often allowed to remain in the accounts as a provision.

The auditor should maintain his own permanent register of land and buildings. Title deeds must be inspected annually or certified as in the possession of a proper custodian, such as a bank, or trustees or mortgagees.

Plant and machinery was now usually the subject of full record,



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sometimes with code numbers corresponding to metal discs on the plant. This was important for tax purposes.

Motor vehicles should be confirmed with the registration books.

Trade creditors could be confirmed with suppliers' statements. It was useful to examine the purchase journal and invoices for a week or two after the end of the financial year for any liabilities which might have been omitted.

Secured loan interest must be separately shown in the accounts. Mr. Layton suggested that all financial interest other than trade interest could be disclosed with advantage to the shareholders.

Tax liability should have been agreed or be capable of close estimate by the time of the audit. Care should be taken that no excessive over-provision remained.

Contingent liabilities could cause difficulty, and would often be revealed only by minute books, correspondence and a knowledge of day to day trading.

VII—Stocks, Stores and Work-in-Progress

The war period emphasised the trend of the last twenty years for increasing realisation by auditors of the importance of the item stock in trade. A recent paper sponsored by the Institute of Chartered Accountants commended the practice of attending to observe the making of physical tests, and it seemed that the future must tend towards the American practice in this respect.

Valuation was fully dealt with in the paper by Mr. Russell. The auditor's first requirement was consistency of treatment. Next he was concerned with over- or undervaluation, and on this there was ample room for opinion.

Where base stock or LIFO methods were employed, stock appeared at much less than its true cost on a rising market, and the question might arise whether the difference was so excessive as to constitute a reserve. This was a question of fact, on which every auditor must be guided by circumstances.

Some items of stock might be verified by outside documents such

as warehouse warrants: these must be inspected. But mostly stock would be on the company's premises.

In the case of a purely physical inventory the auditor must have the rough sheets and summaries, signed by the stocktakers and countersigned by other employees. These should be checked or tested with invoices or other records.

Where there was a partial book record of the more valuable items, a test comparison should be made with this.

Where there was a complete book record, the auditor would examine differences thrown up.

Where there was a running check throughout the year, the auditor would see the reports thereon with adjustments made and a certificate of the physical inspection.

Valuation of by-products was difficult. Often they were ignored when quantities were small and sales rapid.

Engineering, maintenance and fuel stores, if fairly constant, could be retained at a fixed figure on base stock principles.

Work-in-progress might present difficulties where the period to completion was long.

Punched cards or other mechanised stock records became essential with a multiplicity of items, but with fewer classes of stock the usual book records would be better and cheaper. Electronic systems had obvious advantages but were at present expensive.

No wording of the description of stock in trade on the balance sheet could relieve the auditor of his responsibility. If he did not accept responsibility for the item he must say so in his report to the shareholders, with an indication of the reason.

VIII—Letters of Representation

It was customary for the auditor to require certain certificates from the management on the authenticity and completeness of books and documents presented and statements made to him. In the United States of America all these were covered in a "Letter of Representation," and the idea was taking shape here.

Mr. Layton included in his paper a specimen letter of representation.

IX—The Auditor and Taxation in Accounts

Precise estimation of tax liabilities was now a matter of considerable importance but of increasing difficulty. The auditor would not be content merely to scrutinise demands and receipts, but would examine the computation of the charge. In this he would of course be at an advantage where he himself negotiated the client's tax liabilities, but even where this was not the case he must still bring skill to bear.

When the charge was computed it was not necessarily sufficient to debit that amount. The presentation of taxation provisions had provided matter for much thought. Many shareholders were unversed in modern taxation, and it might be that departure from good tax practice was necessary to arrive at good accounting practice.

Contingent liability in respect of profits tax non-distribution relief should be dealt with in a note. The tax charge might be distorted by the incidence of initial and investment allowances, or by Schedule A tax based on arbitrary values where there were large property holdings. Foreign tax credits were a frequent source of complication. Many problems of presentation would arise, and their solution would depend on the particular circumstances of each case, but often a note would be sufficient.

X—Group, including Consolidated, Accounts

Consolidated accounts became obligatory with the Act of 1948. The accountant was not an "auditor" of the consolidation, but was required to report whether or not the consolidation had been properly prepared in accordance with that Act. If he had not audited all the underlying accounts he should state that fact in his report. He would still have to see that the information provided included all that was relevant for the purposes of the Act.

In aggregating fixed assets, it was debatable whether to show the

aggregate gross amounts and depreciation provisions or to aggregate the net book values at the date of acquisition by the group and to show as depreciation only what had been provided since acquisition.

All revenue reserves of a subsidiary at the date of acquisition became capital in the consolidation.

XI—The Impact of Mechanisation

The Companies Act, 1948, gave official blessing to the keeping of accounts and records in other ways than bound books, provided that adequate precautions were taken.

The words "automation" and "electronics" had acquired mesmeric properties, but the work of computers was of no use to the auditor unless it was retranscribed from electronic impulses into something readable and not capable of falsification. For the present, they were concerned with the mechanical or electrically operated machines which performed the routine humdrum recording of transactions and arithmetical calculations.

It was customary on the installation of a mechanical system to run it as a trial for several months alongside the existing system. Mechanisation would be introduced by stages, of which the auditor would have advance knowledge so that he could adapt his programme.

The work performed would consist of (a) assembly, verification and interpretation of information; (b) ascertainment of totals of similar transactions; (c) analysis under headings for accounts preparation. Mistyping, accidental or otherwise, and miscoding might be difficult to trace. But fraud became more difficult, as it would normally require collusion on a considerable scale.

As an example of the commonest use of ledger machines, Mr. Layton reproduced an illustration of sales entries from an equipment manufacturer's booklet. He observed that the records would not always be in the form most convenient to the auditor, who must sometimes insist on some resorting of documents to provide him with his vouchers. In a mechanised system the bulk of the accounts would better conform to a sample, so that some narrowing of

audit tests would be possible.

It was important to scrutinise prime documents to see that only normal and parallel transactions were classified together. The auditor would wish to have prime documents numbered and arranged in convenient batches, with batch totals recorded in the accounting system. A fair sample of transfer journals must be examined. Wages statements could be checked in the usual way from clock records, schedules of wage rates, and so on.

XII—Standard Costings

Where standard costings were integrated with the financial books, the profit and loss account would present an unusual appearance. Each item would be built up on the basis of contra accounts comparing actual with standard, so that at the end of the period an analysis could be made of all the variations. A further statement would be prepared to complete the reconciliation. Specimens of these documents were given in the paper.

Mr. Layton observed that the difficulty with standard costs was always that the standards were fixed at too long intervals to allow a really close approximation to actual when raw materials were liable to violent fluctuations, and the proportion of overheads would be affected by rapid changes in turnover.

To the auditor the system could mean a great deal of additional work. He was fundamentally concerned with actual expenditure, and would work on this in the usual way, test checking with standards. Stock records were essentially part of the system.

XIII—Smaller Audits

Smaller audits often required more attention to detail, particularly where internal check was almost nonexistent. Counterbalancing advantages were that approximate proofs might be possible of total income or outgoings—for example, the fees received by a Cambridge college could be proved from published lists of residents with necessary adjustments—and there would be fewer products and categories of stock.

Special care was required where a

secretary was in complete control of everything financial: the auditor must then act as internal as well as external auditor.

Verifications must be carried out as in larger audits. It was particularly important to check the bank reconciliation and to obtain a bank certificate sent direct to the auditor's office.

In Companies Act audits, the accounts and their presentation must comply with the Act. In other cases, an accountant who had not been appointed auditor must make such observations on the face of the accounts as would put beyond doubt the extent of his responsibility. Whether appointed auditor or not, he might be able to say that the accounts showed a true and fair view, subject to any necessary reservations; but if the reservations were such as to vitiate the true and fair opinion he could not give that opinion.

XIV—Third Parties

Audited accounts were increasingly used for a variety of purposes. The question of an auditor's liability to third parties was the subject of divergent views in this country and in the United States of America.

In the past it was thought that no liability could ensue to a company auditor acting simply in pursuit of his statutory duties. More recently, American legal decisions had held the auditor liable to third parties, but by a majority the Court of Appeal in this country in *Candler v. Crane Christmas & Co.* in 1951 decided that an auditor was not liable.

It might be largely a question of whether or not the auditor had knowledge of the particular third party use to which the accounts were being put and either acquiesced or took no steps to restrict their use. In that case he might well be liable in the U.S.A. but not—at present—in England. There should be no complacency.

Users of audited accounts included the Inland Revenue; prospective purchasers of the business or subscribers of capital; banks and other creditors; trade associations and other voluntary organisations; and insurance companies. Third party

uses were not, however, frequent, as in the majority of cases there would be some direct representation to or by the auditor.

XV—Minute Books

In larger companies the directors' minute book would report briefly the approval or disapproval of subsidiary minutes and would itself contain in detail only the more important matters. The auditor should normally read this book in full and use his discretion in deciding what he required to see from the more detailed minutes of committees, remembering that much in these would be irrelevant to him and that a client might not wish to reveal every intimate detail of his affairs.

XVI—Presentation of Accounts

Improved presentation of accounts had been brought about by the Companies Act, the accountancy bodies, and the Press. To avoid obscuring the essentials, there was a trend towards simplification of the main accounts and the appending of various notes and schedules and additional statistics. The auditor was concerned with presentation of figures, in accordance with the Act and with best accountancy principles, to give a true and fair view. He must insist on all necessary disclosure, but he must accept the directors' method of stating the information.

Fixed assets gave rise to much diversity of presentation. Mr. Layton gave an example of a tabular

summary of parent and group fixed assets as a schedule to the balance sheet.

XVII—Incidental Matters

Government Departments and trade associations had developed the undesirable habit of requiring an auditor's certificate on trading matters not within his province. When this required technical knowledge not possessed by the auditor, he should refuse to give the certificate, ask his client to have representations made for its withdrawal, or preface any certificate he might give by a statement that he considered himself not competent to give it: the onus would then be upon the recipient.

Valuation of Stock and Work-in-Progress

MR. W. G. A. RUSSELL, F.S.A.A., in presenting his paper on *Valuation of Stock and Work-in-Progress* at the recent Incorporated Accountants' Course at Cambridge University, said that the present was a suitable time to reconsider this question in relation to the requirements of the Companies Act, 1948, and in ascertaining taxable profits. It was currently important to business men grappling with the problem of inflation and its effect on profits.

More accurate information for dealing with problems of stock valuation was possible nowadays owing to the greater appreciation of the value of stock control accounts, cost accounting and budgetary control. There was much closer scrutiny by the Inland Revenue, and the Stock Exchange now required auditors' certificates on stock valuation from companies seeking to obtain a market quotation.

The Auditor's Responsibility under the Companies Act, 1948

Clearly the proper books of account required by the Companies Act, 1948, must take account of stock-in-trade as an asset and must include transactions in stocks. Section 331 of the Act, dealing with liquidations, defined "proper books of account" as including statements of the annual stocktakings and of all goods sold and purchased.

Stock valuations were obviously included in the requirements of the Eighth Schedule for disclosure of "material aspects in which any item shown in the profit and loss account is affected . . . by any change in the basis of accounting, and for disclosure as a reserve" and not as a provision of "any amount written off or retained by way of providing for . . . diminution in value of assets . . . in excess of that which in the opinion of the directors is reasonably necessary."

Mr. Russell then reviewed the principal legal cases concerning the duties of auditors, and concluded that, although their precise duties and responsibilities in relation to stock valuations were nowhere specifically defined, they would run great risks if they continued to rely on the earlier decisions, such as the *Kingston Cotton Mill* case. The changed climate of opinion he attributed to the extension of company law requirements and to a general advance in the standards of auditing skills and responsibilities: they could reflect with satisfaction that the latter preceded the former.

In the United States of America it was now the accepted practice for the auditor to review the arrangements for the physical stocktaking and to be present—not to "take stock," for the responsibility still rested on the officials of the company, but to satisfy himself that the plans were effectively carried out. This was becoming recognised as good practice also in this country, and Mr. Russell anticipated that it would become more and more common in future.

The London Stock Exchange in October, 1954, amended its requirements relating to an application for a share quotation. A new and onerous

requirement was that the company's auditors should certify that stock had been properly taken and valued throughout the period covered by their report. For the present this might cause difficulty, as the period might extend back ten years to a time when staffing difficulties had caused unavoidable shortcomings. But the requirement would be helpful to auditors where a client objected to new enquiries on stock-taking procedures and values, as the client could be reminded that if at any future time he wished to seek a quotation for his shares the stock certificate might be essential. Great care must be exercised in furnishing these certificates: the new requirement went further than the Companies Act. The Institute of Chartered Accountants in England and Wales, in its Recommendation No. XVI, had said that a simple affirmative statement to the effect proposed would be an assumption of a wider responsibility than the accountants could normally take, particularly if they had not been the auditors of the company for the whole of the period.

Stock Valuations and Taxation Cases

The Inland Revenue had a not very impressive record of attempts to define in precise terms the proper basis of valuing stocks and work-in-progress. For many years they had accepted some variations from the general principle of "cost or market value whichever is the lower." A new approach started when in *C.I.R. v. Cock Russell & Co. Ltd.* [1949] 29 T.C. 387 they contended for "global" valuation of the whole stock, but it was held that the company could value each item at cost price or market value, whichever was the lower. The Judge in that case restated the fundamental principle that profits, for tax purposes, were to be computed as a business man employing sound principles of commercial accountancy would compute them, subject only to any statutory modification of such principles.

In a more recent case, *Patrick (Inspector of Taxes) v. Broadstone Mills Ltd.* (35 T.C. 44), the Inland Revenue had been successful in its opposition to the "base-stock"

method of valuation. The Royal Commission on Taxation suggested that this method or something closely allied to it, should be admitted in appropriate cases; but in the present state of the law the only acceptable basis for tax purposes was "cost or market value whichever is the lower."

Methods of Valuation

Mr. Russell quoted in full Recommendation No. X of the Institute of Chartered Accountants. He observed that generally speaking this was a satisfactory statement of principles. It clarified the expression "lower of cost or market value" and also propounded a formula to be applied where market value was adopted as being below cost: market value was to be calculated by reference to the price at which it was estimated that the stock could be realised, after allowing for expenditure to be incurred before disposal, and having regard to abnormal and obsolete stocks, the trend of the market and the prospects of disposal. But Mr. Russell considered it unfortunate that the base-stock method and LIFO were dismissed in Recommendation No. X (as in No. XV) rather casually, without recognition of the increasing volume of opinion in their favour in the United States and Canada, or of their possible importance in a period of inflation. The judgment in the Canadian case of *Anaconda American Brass Ltd. v. Minister of National Revenue* [1952-3] D.L.R. 580, which affirmed the propriety of using LIFO, was a masterly review of the principles of stock valuation, and might well have influenced the Royal Commission in their recommendation of a combination of base-stock and LIFO as a permissible alternative in the tax code of this country.

The Institute's recommendation pointed out the danger of inconsistency in methods. But a slavish adherence to the principle of cost or market value might equally affect the valuation of a manufacturing business based on earning capacity, by giving the impression that profits resulting casually from stock prices were profits derived from manufacture. Where a base quantity of stock must be maintained to "clothe"

the plant this stock commitment would expand as the business expanded: the consequent enhancement of stock values, like the "profit" attributable to a rise in market value of the basic stock, could not be turned into cash if the business was to continue. If the Royal Commission's recommendations were adopted it would no longer, in appropriate cases, be regarded as taxable. In Mr. Russell's view these profits were real but not normal profits, and whether the Royal Commission's recommendations were accepted or not in a review of profits and profits trends—as, for example, in a prospectus report—it would be the duty of an accountant to draw attention to them.

The accountancy profession would welcome a clarification of the tax position regarding stock valuations on the lines recommended in paragraph (2) of Appendix II of the report of the Royal Commission, which set out the various alternative methods which it was suggested should be available to a trader. But the Royal Commission did not distinguish, as did the Institute's recommendation, between "market value" and "replacement value." These were quite distinct, the former being based on the price at which stock could be realised, while the latter was the current market price at which stock could be replaced.

In the present confused state of the law, the only method sanctioned for taxation purposes was that of cost or market value whichever was the lower, but accounts could be based on other methods for the purposes of the Companies Act, 1948.

Valuation of Stocks on Cessation of Trade

Under Section 143 of the Income Tax Act, 1952, it was provided that generally speaking, if on cessation of a business trading stock was not sold to a purchaser who was also to treat it as trading stock, it must be valued in the final accounts at the price it would have realised if sold in the open market.

In this connection it was worth keeping in mind the profits tax provision in the Finance Act, 1937, 4th

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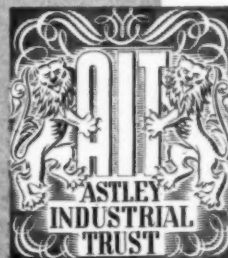
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draw out the money otherwise than as dividends. If profits were substantial the whole would bear profits tax, and provision must be made for the higher rate payable when they were distributed. The proprietor should take care to draw his income in the form of director's remuneration up to the amount deductible for profits tax.

"Investment" companies were often formed where the true object was to realise real property at a profit. Liability under Case I could not be averted by any wording of the memorandum and articles if *in fact* the company carried on a trade. On the other hand, a trading company seeking to show that it had engaged in an investment transaction must have appropriate powers under its memorandum.

A person wishing to avoid estate duty by giving away shares in a private company must bear in mind the possibility of his death within five years, especially if he had a large estate. The donee might be required to pay 80 per cent. on a valuation on the "assets basis" under the Finance Act, 1940, while the shares were unmarketable or could be sold for only a fraction of that valuation.

If an individual had transferred his business to a company and thereafter divested himself of some of his shares, there might still be liability to estate duty under Section 46 of the Finance Act, 1940, so long as he continued to receive any "benefits" from the company. A service agreement with a large salary might lead to pointed enquiries.

In "top-hat" pension schemes, the Revenue required that service as a controlling director should not be counted as qualifying for pension.

Construction of Taxing Acts

It was the established principle that the subject was taxed if he was clearly within the words of the statute in their ordinary meaning, but not otherwise. It was therefore necessary to ask not only "Is this income?" but also "Does it fall within the scope of charge of the taxing Acts?" Income which escaped the net was exemplified in the recent

case of *Butterley & Co. Ltd.*, where it was held that "interim income" under the Coal Acts was not taxable because the kind of income charged by the Act was that arising from a trade or business carried on by the company. Where there was income from a source charged to tax by the Acts, it must still be measured by the rules laid down.

Accountants concerned to produce something like an equitable result were perhaps inclined to assume that liability to tax existed where in fact the Acts imposed none. It was useful from time to time to ascertain under what Schedule and by virtue of which Section tax was chargeable. Often it was convenient for miscellaneous items to be included in a computation under a Case or rule to which they were not strictly appropriate, but the accountant should be aware of the true position in these cases.

Each Schedule was exhaustive of the liability on profits within its scope, and the Crown had no option to choose between them. If the source of income could not be simply stated, either a really difficult problem had arisen or there was confused thinking and the "income" was not of a kind dealt with by the taxing Acts. The scope of Case VI was smaller than was sometimes thought.

Appeals

No Inspector worth his salt would resent the decision of an accountant to fight a case involving a serious question of law or of fact.

The taxpayer could normally choose between the General and the Special Commissioners. If no indication had been given in the formal notice of appeal, the case must in law be heard by the General Commissioners, but in practice the Special Commissioners would normally accept jurisdiction if the General Commissioners and the Inspector raised no objection.

Broadly speaking, the Special Commissioners should be chosen if a complicated point of law was involved, or if facts were disputed and it was necessary to call a number of witnesses. General Commissioners were unpaid and usually could not

spend more than a half-day at a time on a case, and sittings might be separated by weeks.

All relevant facts, even if obvious and non-contentious, must be put in evidence before the Commissioners if there was a possibility that the case might go further. Appeal from their decision was on points of law alone, and no new evidence on facts was admissible in the High Court. Much time was frequently saved if a statement of facts could be agreed with the Inspector beforehand.

In general the onus was on the taxpayer to prove an assessment excessive. With sur-tax and profits tax directions the onus was on the Inspector to justify them, but by agreement the taxpayer might accept the onus of displacing a direction. This meant that his representative would open the case and have the final word, which was often advantageous. Should it be decided to require the Revenue to open the case for a direction, it was quite legitimate to admit nothing and put them to formal proof of all facts.

Back Duty

A common type of back duty case started with a discovery by the Inspector of a large unexplained increase in the taxpayer's total worth, which he would proceed to assess as business profits. The assessment must be on the profits of a particular business, and if it were not possible to prove that the money came from gambling and other sources as stated by the taxpayer, it would be enough to show that it could not have come from that business. A butcher's cold-room capacity might be insufficient for the volume of trade, or the Inspector's figures might mean absurd rates of gross profit. Independent evidence on these points would be of great assistance.

If after the taxpayer had given evidence the Inspector in his reply should make a suggestion such as black-market dealing, this should be resisted as improper unless it had been raised in cross-examination. If assessments were raised for more than six years on the ground of fraud by the taxpayer, the Revenue could be required to open the case

and to prove fraud affirmatively.

On the aspect of professional ethics, Mr. Allen suggested that the accountant's duty was the same as that of counsel for the defence in a criminal case. As advocate, he should argue his client's case with all possible vigour, leaving the weighing of

evidence to the Commissioners. He could not, of course, base arguments on any statement by the client to the Inspector if the client had admitted to him that it was incorrect. Mr. Allen refrained from commenting on whether it would then be the accountant's duty to insist on the

client telling the Inspector of the falsehood or to refuse to act further.

In preparation for any appeal, it was useful to ask oneself fundamental questions to make sure that the original point had not been lost sight of in the course of the arguments and correspondence.

Taxation of Income From Property

By H. A. R. J. WILSON, F.C.A., F.S.A.A.

In ACCOUNTANCY for July (pages 257-264) and August (pages 297-301) we reported the recommendations of the Royal Commission on the Taxation of Profits and Income, with brief discussions on a number of points. We now present the third of a series of articles giving more detailed commentaries on the major suggestions of the Royal Commission. The first, Enlightenment on Stock-in-Trade, by C. D. Hellyar, F.C.A., appeared on pages 301-4 of our August issue, and the second, Corporate Taxation, by Frank Bower, C.B.E., M.A., on pages 341-4 of our September issue.

THE REPORT OF the Royal Commission includes a very useful summary of the existing law regarding Schedule A. It is pointed out that the basis of assessment is the annual value of the property if let at arm's-length on the conventional tenancy conditions that the tenant bears the usual tenant's burdens and the landlord undertakes repairs. The letting agreement must be one entered into within the seven years preceding the date of determination. Where the property is not let at arm's-length the annual value is to be taken: this is the amount which the property is worth to be let by the year.

Generally the tax is payable by the occupier, who is entitled to recoup himself by deducting the tax when he pays his rent to the immediate lessor. His right of deduction, however, is limited to tax on the annual rent that he pays. The immediate lessor in turn is entitled to deduct tax from the rent that he pays to his own superior landlord.

The rules of Schedule A require a general revaluation of property every five years but no such revaluation has taken place since 1936. In 1940, when it was seen that a revaluation would not be possible for some years, the "excess rents" provisions were enacted which collect tax under Case VI on rent in excess of the annual value. A person who cannot deduct tax from rent has to bear the tax himself and so the enjoyment of property by an owner-occupier is taxed just as rent received from letting is taxed.

The Rent Acts

The report states that the Rent Acts are a code of extreme complication, but for present purposes it is sufficient to

note that although they do not apply to any dwelling-houses converted or erected after August 30, 1954, they continue to apply to other small or medium-sized dwellinghouses—in London those with rateable values not exceeding £100 and elsewhere in England and Wales £75; in Scotland £90. The Acts have two aims: (1) to give the sitting tenant security of tenure and (2) to limit the unfurnished rent to be charged to any tenant of the property. As regards (2), the main stipulation that is relevant is that there is assigned to each house a standard rent. The standard rent is: (a) if the house was let on September 1, 1939, the rent then payable; (b) if the house though not let at that date had been let at some earlier period, the rent for that earlier letting; (c) if the house had never been let before that date but was let after that date, the rent on the first letting. There is, of course, the possibility of a rent increase in respect of repairs under the Housing Repairs and Rents Act, 1954, or the corresponding Scottish legislation: this would apply only to paragraphs (a) and (b).

The work of drawing up the valuation lists for the purpose of local rates in England and Wales was transferred from local authorities to the Inland Revenue Department by the Local Government Act, 1948. This Act contemplates the reinstatement of the system of quinquennial revaluation. For most properties the Act maintains the established basis of valuation by reference to the current rent that a hypothetical tenant may be expected to pay under conventional conditions of tenancy. In the case of dwellinghouses, however, the Valuation for Rating Act, 1953, requires the first post-war revaluation to be on the basis of the June, 1939, rental value of the

property in the state in which it exists at the time of valuation. The current rental value will be taken only if it is less than what it would have been in 1939. The new valuation lists are supposed to come into force in April, 1956. In Northern Ireland it is understood that preparatory work on revaluation is in progress, on a similar basis to that in England and Wales. In Scotland there is no provision for a complete revaluation quinquennially; the assessors are entitled to revise values annually. In the case of houses, however, the assessors are restricted to a level of valuation comparable to that prevailing in other parts of the United Kingdom.

Scope of the Schedule A Charge

Tax under Schedule A is charged not only on actual money incomes in the form of rent but also on the monetary value attributed to the enjoyment of the property if there is occupation free of rent or at something less than the full rent. This arises from the fact that there is a fundamental assumption of the tax code that land is inherently a proper subject for taxation in a general income tax, the tax to be measured by the full amount of the income the land is capable of yielding. The tax code concentrates attention upon the tax ultimately borne by the beneficial occupier. His right of occupation can be made to produce a money income by letting or sub-letting; the fact that he enjoys it himself means that the enjoyment yields him an income in kind of a value equivalent to the rent foregone.

The Commission received evidence from many witnesses who favoured for differing reasons the abolition of charge on one or more of these classes:

- (1) Owner-occupied residential properties.
- (2) Owner-occupied business properties.
- (3) Let property.

The arguments for and against under each head are examined closely. The claim for exemption of owner-occupiers was made on the grounds (1) that notional income is not a fit subject for taxation and (2) that it is inequitable to tax the beneficial enjoyment of the right of occupation of real property, when the income which could, by parity of reasoning, be attributed to the owners of other forms of property, such as motor cars, goes untaxed. The Commission regards the first argument as ignoring the principle that taxation should be adjusted to the relative capacity to pay of different taxpayers. It points out that there can be taxable income which is not received in cash. Living accommodation is a necessity of life and a taxpayer who does not own it is obliged to rent it; consequently an owner-occupier with a given income paying no rent has a larger taxable capacity than a tenant with the same income out of which he must meet the liability for rent. The exemption of owner-occupiers would reduce the net yield of tax by some £25 million. The Commission admits the logic of the second argument, but points out that the income could be attributed to the possessors of many forms of chattels. The task of valuing and revaluing chattels of taxpayers in order to collect tax would be an impossible one. Speaking generally, a man's house is of much greater value than

his chattels. The impossibility of taxing him on other chattels does not in the view of the Commission invalidate the existing charge on the value of residential occupation.

The Commission then examines the position of owner-occupied business premises and rejects the arguments against abolishing the Schedule A charge on them. The machinery would be difficult, but what is perhaps more important is that it would lead to inequities between individual taxpayers. As an example, the report instances a tenant farmer making a profit of £900 after deducting rent of £450, paid to his landlord, whose neighbour owns a similar farm with a net profit of £900 after deducting the net annual value. In each case the farming operations yield a profit of £900 and earned income relief should be two-ninths of that, or £200. If, however, the Schedule A assessment on the second farm were abolished, the second farmer would be assessed on £1,350 and his deduction for earned income relief would be £300. A further suggestion that let property should be assessed under Schedule D instead of under Schedule A is also rejected. Apart from the desirability of retaining the Schedule A assessment as a safeguard against evasion, the Board of Inland Revenue satisfied the Commission that there were real advantages in being able to collect the Schedule A tax from the occupier of the property rather than seeking out an absent or elusive owner. A Schedule A charge on the occupier also secures the automatic collection of tax on beneficial occupation. Further, if some owners were not eligible for assessment under Schedule D, whereas others were, it would mean keeping a constant watch on sales of property from one class of owner to the other.

System of Valuation

On this subject the Board of Inland Revenue itself had a number of changes to suggest: these the Commission examined with care and is satisfied that in the present state of the law regarding rent control they represent the best practical solution that can be devised for a problem of extreme complexity, which is likely to remain for some years in a state of transition. The Board proposed to the Commission that assessments should be open to revision year by year and that in certain cases the rating valuation should govern the Schedule A assessment, despite the fact that for private dwellinghouses the valuation would be fixed, at any rate initially, in the terms of 1939 values. The gross value fixed for rating purposes should be taken as the measure of the gross annual value for Schedule A purposes. The first proposal would avoid any necessity for excess rents assessments under Case VI of Schedule D. This would save official time and would be a simplification which might well be a gain in convenience to the taxpayer. Excess rents assessments would be required only if an intermediate lessor is paying a higher rent to his superior landlord than he receives from his own sub-tenant.

The Board proposes the retention of the principle that if a property is let the rent should be used wherever possible to arrive at the Schedule A assessment. If the terms of letting make one party responsible for the bur-

dens of another, then it should be adjusted to reflect the true rack rent. For owner-occupied property an endeavour must be made to determine what rent the property is worth to be let. Since the Inland Revenue Department have already got this duty for the purpose of local rates, the Board proposed that for the purpose of administrative economy the rating valuation of owner-occupied property should be taken as determining the assessable annual value for Schedule A purposes. There are two classes of property in respect of which the valuation list would not provide a gross value and it was suggested that (a) for derated agricultural land the valuation should be arrived at by using the general rating definition of annual value which would have been applicable if the property had not been derated; (b) those industrial properties where the valuation list gives only a net annual value be covered by a rule enabling the corresponding gross value to be deduced therefrom. If the actual rent cannot readily be adjusted to show a rack rent or the actual rent is shown not to reflect the full annual value of the property, then the rating valuation should be taken.

The effect of all this would be that the Schedule A annual value would be determined by the rent paid by the occupier adjusted if need be, or by the rating valuation, whichever were the higher. While the use of the double standard would be more complicated than the simple course of adopting the rating valuation in all cases, it would be necessary if Schedule A were to be relied upon without assistance from separate excess rent assessment. The taxpayer would be protected because he can appeal against a rating valuation at any time and does not have to wait until the end of the quinquennial period.

The Board's scheme does not envisage any tax being charged in respect of beneficial occupation enjoyed by tenants of houses with controlled rents. The Schedule A assessment for such houses would be based solely on the rents payable. The Report discusses whether it would be fair to raise owner-occupiers to the standard of current value, but it is stated that it would be no more fair to do that in this respect than in the case of a rent-controlled house. The Commission comes to the conclusion that the most sensible course under present conditions is to follow the line taken by the Board's proposals and keep the assessment on the owner-occupier on the 1939 basis, so long as the rating valuation itself proceeds by that formula.

Premiums on Leases

A man who lets property at a premium foregoes the whole or part of the rent he might otherwise have received over the term of the lease and the premium is normally treated as a capital receipt not subject to taxation. Various examples are given of the different ways in which premiums may arise and the effect on the income of a trader who has paid a premium for a lease. The Commission does not think it possible to assert that the premium can be categorised as rent paid in advance. If paid in respect of a very short term of lease it is no doubt practically indistinguishable from rent; if paid in respect of a long term it has no natural equivalence with rent. If provided

in kind and not in money, as in the case of buildings or improvements to buildings, it is not like rent at all. Even if a premium for the grant of a lease could be treated as rent in advance it would be a great deal more difficult to say that the sum paid to purchase the assignment of a lease is rent. The Commission therefore considers that a premium is best treated as a sum of money paid upon a sale, the thing bought being the beneficial right or part of the beneficial right of occupation for the period of years in question. From this point of view the transaction differs in degree but not in substance from the purchase and sale of a freehold. The first Tucker Committee thought that there should be relief for the trader who had paid a premium as part of the cost of acquiring, but only if the recipient could be charged. The Commission takes a rather wider consideration of the problem of premiums, since it regards itself as bound to see them not in the light of business profits only but in the light of the taxation system as a whole. From that point of view the two dominant considerations are that no satisfactory method of taxing the recipient is ever likely to emerge and that the whole conception of Schedule A based on annual value precludes the idea of allowances against tax in respect of the cost of acquiring terminable interests in that annual value. By not taxing premiums as receipts and by not allowing the payer to amortise his payment it does not necessarily follow that the burden of tax is left with the payer. The tax position must be present in the minds of payer and recipient at the time of the transaction and would be an element in determining price. To some extent, therefore, the recipient is taxed indirectly on his premium through the known impact of the tax system on the payer. The present system has great advantages in simplicity of administration. A reversal of the system would introduce complications distasteful both to the Revenue and to the taxpayer, since the idea of treating premiums as income cannot be made to fit conveniently into a system of annual progressive tax.

Relief for Outlay on Repairs, etc.

Arguments advanced with a view to obtaining an increase in the statutory reduction for repairs are rejected. Although costs of repairing houses have risen sharply, the actual amounts of the repairs allowances cannot be regarded in isolation from other factors. They are proportioned to the gross annual value and if they are inadequate it is probably because the assessment is still fixed on the basis of the 1936-37 annual value. There may be some substance in the contention that the statutory scale is inadequate; nevertheless, the artificial restriction of rents and the lack of any general revaluation defeat any claim for an increased repairs allowance purely on the grounds of increased costs. Relatively little evidence was offered on the proportionate relation between the current level of outlay on keeping property in repair and current letting values of properties of varied construction and value. After revaluation and with the gradual readjustment of rents to increased costs a clearer picture should emerge. The Commission does not recommend any present alteration in the existing scale of tax reductions

but records the opinion that the matter should be kept under review in the period following the next revaluation. The aim must be to steer a middle course between the two extremes of prescribing statutory reductions so ample that in practice many owners spend a good deal less, and fixing reductions at a relatively low level that would be bound to be exceeded in the vast majority of cases. If a lessee has effected a profitable sub-letting of the property that he holds on lease, it sometimes happens that a lessor remains liable for repairs to the property but receives no benefit from the statutory reduction. The Board suggested that the point could be met by a provision whereby on application the assessment would not be reduced by the statutory deduction and the equivalent allowance would be given by way of repayment to the person on whom the burden of repair fell. This suggestion finds approval.

Maintenance Claim

A suggestion that three years should be taken instead of five as the basis of the average is rejected, on the grounds that it would leave grounds for manipulation of the dates when payment was made for repair. Once the total expenditure for a year has been agreed it is simply a matter of putting that total into future claims until it drops out by effluxion of time. The Commission recommends that land and houses should be treated as one unit for the purpose of the claim; many claims are already put in on this basis, of course. The report does not recommend any difference in the rules for ascertaining whether property is managed as one estate. The test of management is a satisfactory one and it would not be possible to devise any different test that would be an improvement.

In practice, the term "owner" is interpreted as including beneficial occupier, a lessee under a long lease, a life tenant, a mortgagee in possession and trustees if they are required by their instrument of trust to maintain a house occupied by a beneficiary. It is suggested that it would be advantageous if the law were amended to make it clear that in principle an appropriate measure of relief may be claimed by any person with an interest in the property who meets the cost of repairs and who ultimately bears the whole or part of the Schedule A tax. There is no case for giving relief to a tenant who has undertaken to bear the full cost of repairs as what he is doing is really to pay an increased rent for the property, a factor which would be taken into account in arriving at the annual value. There is another aspect of repairing leases that received representation—that the landlord will normally be faced with outlay on insurance and perhaps on management. The Board already, in practice, admits a claim in respect of outlay on insurance and the Commission thinks it ought to do so in respect of management.

The Commissioners see no reason why the present concession in respect of new owners whereby a claim can be admitted year by year on the actual expenditure for the first five full years should not be made statutory. The present concession requires that the expenditure shall

not be exceptionally heavy and the Board regards the gross annual value as representing the maximum expenditure which would come within the concession. The Commission suggests that this is not an unfair test and that if the expenditure does exceed the gross annual value, an amount up to the gross annual value should be allowed for the claim on the actual year basis.

The Board assured the Commission that the term "management" was already interpreted as covering all the normal incidents of the management of property and the Commission regards the phrase as being adequate, without any re-definition.

In the case of the replacement of farmhouse and other farm buildings, necessary to maintain the existing rent, and additions or improvements to farmhouses or other farm buildings, if they do not give rise to an increased rent and were carried out to comply with statute, regulations or bye-law, although the expenditure is capital expenditure it can at present go into a maintenance claim. The Board represented to the Commission that this was out of harmony with the scheme of capital allowances now contained in Section 314, Income Tax Act, 1952. There is no need for two separate provisions dealing with capital expenditure on agricultural property and the Commission recommends that the expenditure mentioned should qualify for relief under Section 314 and not go into a maintenance claim. In one way this will reduce the benefit to the taxpayer in that under Section 314 only one-third of the expenditure on the farmhouse is taken into account, whereas under maintenance relief the whole cost of replacing or improving a farmhouse can qualify in the cases it applies to.

If the cost of maintenance exceeds on the average the gross assessment on the property, the excess is relieved only in the case of agricultural property. The Commission rejects the suggestion that the excess expenditure should be permitted to rank for relief against the tax on the owner's income from other sources in other cases. To allow excess maintenance relief against other income would in many cases amount to a subsidy on an owner-occupier's domestic spending. It would be to go too far to give the owner-occupier both the benefit of the pre-war value as the level of assessment and the advantage of maintenance relief against other income or future income under Schedule A. In the case of let property, such a relief could result in the owner embarking on a programme of maintenance upon a scale so considerable that it enhanced the value of the property and so realised a price that reflected the enhanced value. On the question of assessing let properties under Schedule D, the Commission says that on the whole it is not convinced that as a matter of general principles let properties ought to be assessed under Schedule D and that, if the general principle does not commend itself, it does not think there is a good case for making any special departure from the existing rule in favour of companies. The suggestion that public companies might be assessed under Schedule D on let property would result in throwing up negative income, which is something entirely foreign to the whole principles of taxation.

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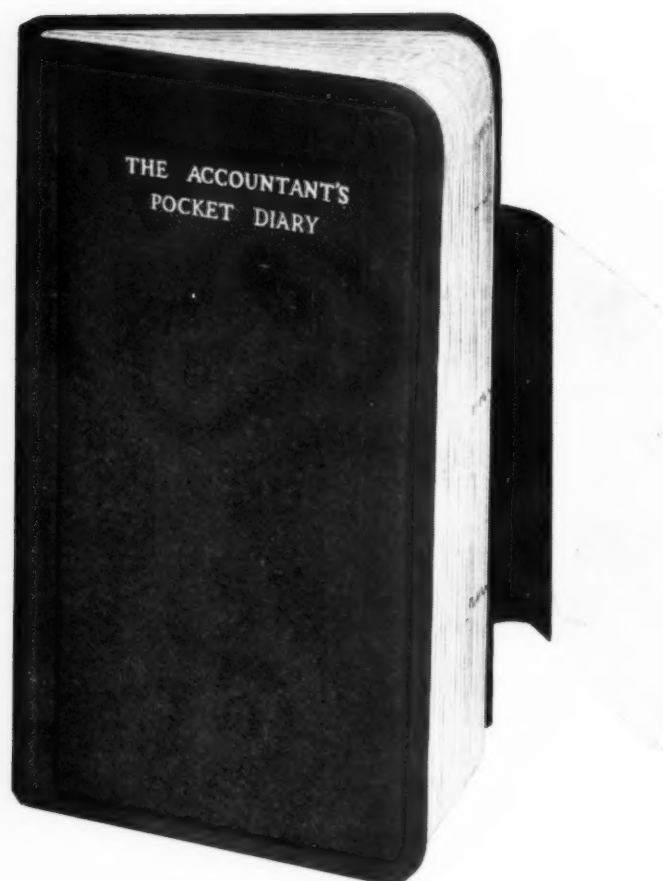
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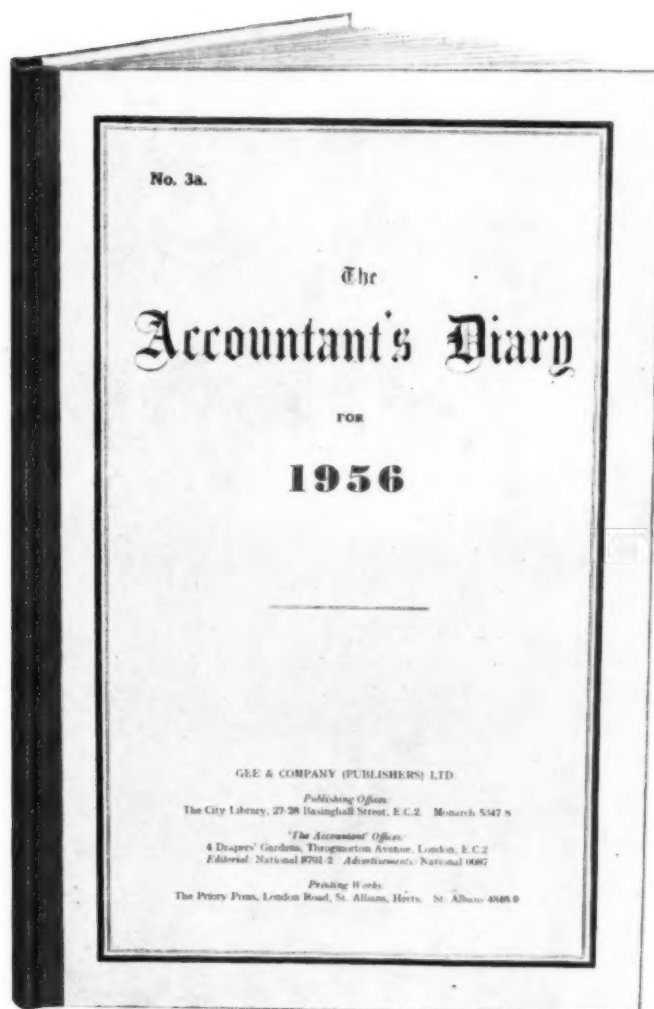
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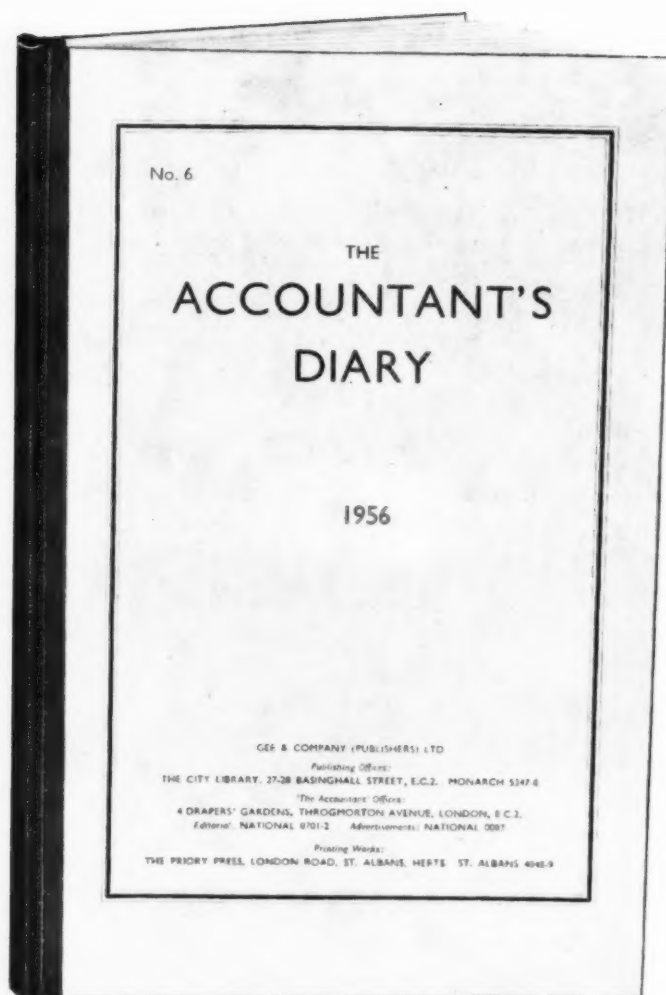
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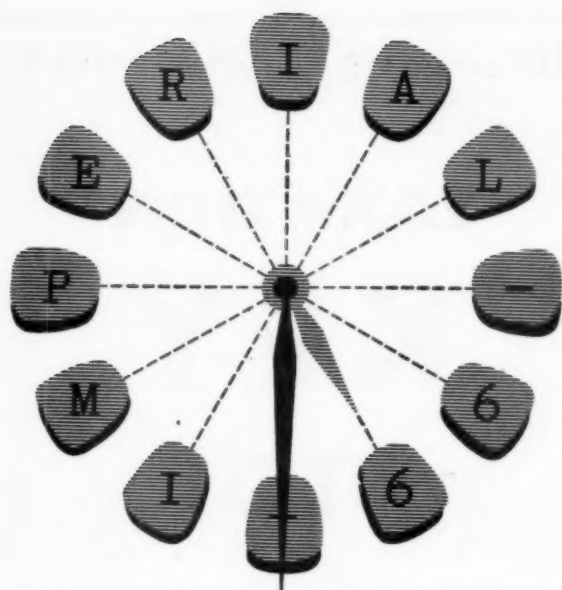
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Any amortisation allowance in respect of buildings is rejected. The Commission takes the view that the person who incurs capital expenditure on the construction or alteration of buildings with a life limited in any particular way does so with his eyes open to the risk. Any attempt to give amortisation allowances in respect of private houses would be far too difficult to apply.

Collection of Schedule A Tax

The Commission would like to recommend a reversion to the instalment way of paying income tax under Schedule A but has to reject it because it would mean a large increase in the staff of the Inland Revenue Department, and also a temporary reduction in the yield of tax in the first year of about £60,000,000. Dealing with the rights of a tenant to deduct tax from his landlord, the report recommends that he should have the right to recoup himself from the next and any subsequent payment of rent made within, say, two years after he has paid the tax, but if he cannot make a deduction on account of tax which he has paid because no further rent, or an amount of additional rent that is insufficient, is payable, the tenant should have the right to recover the tax from his landlord. There are also recommendations to cover the case of a change of occupier, to ensure that the new occupier does not bear tax that ought to have been borne by someone else.

Schedule B

There are now assessed under this Schedule only:

(1) Amenity land, such as parks, non-commercial woodland and sports grounds; and

(2) Commercial woodlands, the occupier of which has not exercised the option to be assessed under Schedule D as if carrying on a trade.

To charge these properties on one-third of the annual value is really to superimpose additional tax under Schedule A. The Commission recommend the discontinuance of Schedule B assessments. Commercial woodlands would still have to be charged and this could easily be done under Schedule D by deeming the occupier to have a profit equal to one-third of the Schedule A value unless he elected to be assessed on actual profit.

The Minority Report

The memorandum of dissent by three members of the Commission deals with only one difference of opinion. It recommends that annual value be based on the current letting value except where there is a standard rent. The increase to that value should be in gradual instalments over say ten years. When the income from other sources is expressed in current values, pre-war valuation is considered a discrimination in favour of a particular form of income.

Taxation Notes

Initial and Investment Allowances

Designed on a political basis to serve economic purposes, these capital allowances are slightly unstable. Since their introduction in 1946, initial allowances have been (a) withdrawn for a period (covering expenditure between April 6, 1952 and April 14, 1953, both dates inclusive), (b) reinstated after that period, and (c) replaced (with certain exceptions) by investment allowances in respect of expenditure after April 6, 1954. As the Royal Commission pointed out, it is a mistake to regard the initial allowance in the light of profit ascertainment since it is not intended for that purpose. It is a deferred tax claim for which many businesses made due adjustment in their accounts.

The investment allowance is not a deferred tax claim; it is given outright without any repercussions so long as there was no tax avoidance

behind the claim. The initial allowance and not the investment allowance still applies to secondhand plant, etc., and to all motor cars not used for a business of hire. In the case of mining works, etc., where the initial allowance is 40 per cent., the taxpayer is given the option of claiming it or the investment allowance; i.e. he can sacrifice the ultimately greater total relief for an immediately higher rate of relief in the first year.

The incentive to spend money on new assets can be withdrawn at any time, which may be a serious factor where orders have to be placed a long time in advance of delivery. The allowance is determined by the date when the price is due to be paid. It may therefore sometimes be worth considering whether the contract might not be so framed as to make the money due before delivery. Initial and investment allowances do not carry the same condition as

annual allowances that the asset must be in use at the end of the basis period.

The Chancellor of the Exchequer is in a peculiar position in offering investment allowances on the one hand to encourage capital expenditure, while on the other calling for restriction of expenditure!

The Machinery of Taxation

The following extract from the Final Report of the Royal Commission is significant.

7. We also obtained some 120 memoranda from the Board of Inland Revenue. (It is under this name that the Commissioners of Inland Revenue—to use the statutory designation of the officials by whom the work of the Inland Revenue Department is controlled and directed—are almost always referred to: in this Report we shall speak of them shortly as “the Board.”) In the majority of cases these memoranda were furnished at our request: in some cases they were tendered by the Board on their own initiative. The material thus supplied by the Board was of great value to us,

as were the scrupulous care and objectivity with which they analysed for us the many questions, theoretical, practical and administrative, upon which we invited their comments. Here again our work could have made little progress without their willing help at all its stages.

While we often criticise the machinery in these columns in respect of details, that does not lessen our admiration for the general efficiency of the Department. No country is better served, few if any as well. Probably it is because we are so used to its efficient work that we feel compelled to comment when the machine develops a break! The Royal Commission also made the following fundamental points:

20. The changes which we are able to recommend will be found in the body of our report: and certainly as much space is taken up with explaining what the existing system is as with propounding the changes which we think are necessary. But throughout we have been conscious that there are two factors which dominate every approach to suggested improvements of the system of taxation: one is its weight and the other is its complexity.

21. The gross volume of the taxation of income and profits is not within our terms of reference and we offer no comments upon it. But it would not be debatable to say that the tax is heavy, much heavier than it was over the period during which the structure of the United Kingdom income tax was built up. Our work must be seen against that background. In the course of it we have at many points been confronted by difficulties which are magnified by the weight of the tax, and by grievances which would not have been felt as grievances if the weight had been lighter. Even when everything possible has been done to remove inequities, both by adjustments in the design of the tax and by improvements in its administration, it will retain defects; and they will be felt as serious defects by reason of the weight of the tax.

22. The tax law is already complicated and elaborate. It merits this description not merely because of the varieties of circumstance and condition in which it is applied but also because of the refined distinctions that have been grafted on to what was

originally a simple structure. Yet many of the adjustments which we were invited to consider could only be made by the addition of yet another set of new complications. We had continually to remind ourselves that even in a time of high taxation there is a limit beyond which the refinements of a tax system cannot be allowed to go; otherwise it would be in danger of drifting altogether out of sight of two principles that ought to guide it, that it should be simple and that it should be intelligible.

Income Tax—Instalments of Repayment Claims

It is timely to remind readers that repayments on account can be claimed at intervals throughout the year. This may be of considerable importance to those with small fixed incomes. The first claim shows the taxed income to date, with details of untaxed sources. The certificate to the form should be amended by the addition of "to date" in the appropriate place.

Illustration:
In the first claim by a widow for 1955-56, there was included the following information in July, 1955:

Dividends (detailed)	£220 (gross)
Untaxed income for year (Case III based on previous year's income)	10
House N.A.V.	20
(Maintenance claim agreed at £15)	
National Insurance Contribution allowable	13
The first repayment can be calculated:	
Dividends	£220
Case III	10
House less maintenance	5
	235
Less N.I.C. £13	
Personal 140	
	153
	82
£60 at 2/3	£6 15 0
22 at 4/9	5 4 6
	11 19 6
First repayment	81 10 6

This is made up of—	
Income exempted	£153
Less untaxed	15
	138 at 8/6 = 58 13 0
Reduced Rate	£60 at 6/3 = 18 15 0
	22 at 3/9 = 4 2 6
	81 10 6

If in October she puts in a further instalment claim, with dividends gross £180, she will be repaid

£128 at 3/9	£24 0 0
52 at 1/9	4 11 0
	28 11 0

Then say in January, she can put in dividends to get the balance of reduced rate relief, £98 at 1/9 = £8 11 6

Total repayment

£138 at 8/6	£58 13 0
60 at 6/3	18 15 0
150 at 3/9	£28 2 6
150 at 1/9	£13 2 6
	£118 13 0

Inspectors of Taxes are having staff troubles similar to those of accountants and it eases the burden if all the repayment claims are not left over until April and May.

Case V Losses

The basis of assessment under Case V on the profits of a business carried on, either alone or in partnership, outside the United Kingdom by a person resident therein but controlled abroad is the sums received in the United Kingdom in the preceding year (with special rules for new and discontinued sources), i.e. the remittances basis. This is a rule of assessment for charging profits; money left abroad escapes tax unless the business is controlled from the United Kingdom, when Case I applies.

It is commonly considered that there are no loss reliefs under Case V. It is thought, however, that should a loss arise, Section 341 permits the taxpayer's share of the whole loss to be set against his total income, since that Section provides for relief for a loss sustained in any business, and that the loss must be computed as if the business were assessable under Case I. Both Section 341 and Section 132 (which deals with the remittance rules) refer to the carrying on of a business by the taxpayer in question.

Building Societies and Income Tax

The income tax arrangements for building societies are unchanged for this fiscal year, except that the composite rate at which the societies pay tax, which was 5s. 1d. in 1954-55, is 4s. 10d. for 1955-56. This represents a weighted average of the rate of tax of investors in building societies. It is payable on the interest and dividends paid on an investment in a building society that is beneficially owned by an individual whose holding in the society does not exceed £5,000 (husband and wife are one for this purpose); on an investment owned by a registered trade

union, or by a body exempted from tax under Schedule D; and on the tax paid on all interest or dividends, whether this was at the composite rate or at the standard rate (the assessment is on the previous year basis). Tax is charged at the standard rate on all other interest or dividends paid, and on the excess of the profits of the society over the total of the interest and dividends paid and the tax thereon.

The Tax Cases

The first report in the official Tax Cases is that of *Re Addie and Sons*, heard in the Exchequer, Scotland—First Division, on January 30, 1875, where coal and ironmasters failed in their claim before four judges to deduct from profits a percentage for pit sinking and for depreciation of buildings and machinery.

The first volume covered approximately a period of nine years, the second seven, the third eight years. With the exception of volume V, which covered some eight years, there has been a continual increase in the number of cases until in recent years there has been practically a volume a year.

The study of over thirty-five volumes each containing more than 500 pages, some many more, would be no mean task. Fortunately, we have Harrison's *Index to the Tax Cases* and other helps to direct our attention to the appropriate cases to fit our problems. It cannot be too often emphasised, however, that extracts should not be used without reference to their context; it is wise to read the report in full before quoting from it.

Excess Rents

The general practice, which is a convenient one, appears to be to assess excess rents (after the first full year) on the previous year basis. Where the rent is under a short lease, i.e. one granted for a term not more than fifty years, liability arises to an immediate lessor or superior lessor where the amount of tax borne under Schedule A is less than the amount he would have borne if the assessment were based on the real rent.

Illustration:

House assessed at £160 gross, £130 net, is let by A to B for £208 a year.

Real rent	£208
Repairs allowance appropriate ..	38
	£170
N.A.V.	130
Excess Rent	40

If, however, A were himself a lease holder from C at a rental of £165, the computation would be:

As above	£170
Rent paid by A (being more than N.A.V.)	165
Excess Rent A	5
Rent received by C	165
Less N.A.V.	130
Excess Rent C	35

It will be observed that a deduction for repairs arises only once, in the original assessment. The excess of £40 is charged partly on A and partly on C. The Schedule A tax is deducted by B from A and by A from C. A therefore bears tax on £5 in all, C on £165.

Had A paid to C a rental of £190, A would have had no excess rent, but C would have had £190 less £130=£60.

This would be an unusual situation, but possible.

Estate Duty—Timber Standing on Settled Land

Section 61 (5) of the Finance (1909-10) Act, 1910, as amended by Section 9 of the Finance Act, 1912, provides that where an estate in respect of which estate duty is payable comprises land on which timber is growing, the value of the timber is not to be taken into account for the purpose of determining the rate of estate duty payable on the estate. The same Acts also provide that estate duty is not payable on unsold timber but is payable, at the rate appropriate to the estate, on timber sold during the period elapsing until the land again becomes liable to duty upon a death. The total duty so payable in respect of sales is not to exceed the amount of duty which would have been payable on the principal value of the timber but for these special provisions.

In the case of land bearing timber passing on the death of A. to B. for life with remainder to C., it has hitherto been the official practice, where C. predeceases B., to regard

the above-mentioned provisions as applying in relation to the death of C. One effect of this practice was to exempt the timber, while it remained unsold, from payment of duty by reference to the death of C. The other effect was to free from further liability to duty, in connection with the death of A., the proceeds of sales of timber sold after C.'s death, and to charge duty in respect of such sales until the death of B. at the rate appropriate to C.'s estate, the maximum amount so chargeable being the amount computed at that rate on the principal value of the timber standing on the land at C.'s death.

The Board of Inland Revenue announces that it is advised that Section 61 (5) of the Finance (1909-10) Act, 1910, as amended by Section 9 of the Finance Act, 1912, has no application to the death of a person entitled in remainder or reversion to land bearing timber. The Board has directed that the above-mentioned official practice shall no longer be followed. Accordingly, in the computation of the estate duty payable in respect of the estate of the reversioner, C., the valuation of his reversion to land bearing timber must take into account, for the purposes of aggregation and assessment, the value of his interest in the timber standing on the land.

Furthermore, as a general rule, the death of the reversioner, C., before his interest falls into possession, will have no effect upon the liability to duty in respect of sales of timber. Estate duty will be levied at the rate charged on the land when it last passed in possession, i.e. on the death of A., in respect of all sales effected during the period elapsing until the land again passes in possession and is liable to duty upon the death of B., the maximum amount of duty so leviable being the amount computed at the aforesaid rate on the principal value of the timber standing on the land at the death of A.

No adjustment of duty paid under the former official practice is possible (Finance Act, 1951, Section 35) but the Inland Revenue announce that the following rules will be applied where some duty has been paid in conformity with that practice in

respect of sales since the death of a reversioner who died before becoming entitled in possession:

(a) If the total duty already paid in respect of sales since the land last passed in possession is not less than the amount of duty computed on the principal value of the timber at that time at the rate then charged on the land, no further duty will be charged until the land again passes in possession and is liable to duty;

(b) if the duty paid in respect of sales since the death of the reversioner is not less than the amount computed on the principal value of the timber at the reversioner's death at the rate charged on his estate, no further duty will be charged in respect of sales until the land again passes in possession and is liable to duty;

(c) if neither paragraph (a) nor paragraph (b) applies, duty in respect of sales of timber will continue to be charged in accordance with the general rule above until the taxable limit in paragraph (a) or the taxable limit in paragraph (b) is reached, whichever is the more favourable to the estate.

We have commented before on the "official view." We welcome the immediate notification of a change (as given above) in that view. It would have been instructive if the Inland Revenue had also set out the reasons for the change.

Definition by Circumlocution

Our contemporary *Law Notes* selects

the following from the National Insurance Act, 1946:

For the purpose of this Part of this Schedule a person over pensionable age, not being an insured person, shall be treated as an employed person if he would be an insured person were he under pensionable age and would be an employed person were he an insured person.

This compares with the definition of "franked investment income" (Finance Act, 1947, Section 42):—

Any reference in any enactment relating to the profits tax to franked investment income shall be construed as a reference to the income which would be included in the profits if paragraphs (a) and (b) of the preceding sub-paragraph had been omitted . . .

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Charitable exemption—Association for benefits of branch officers of the Royal Navy—Contributions by members—Payment of death benefits—Assistance to members and their dependants—Encouragement of friendly intercourse—Whether established for charitable purposes only—Income Tax Act, 1918, Section 37 (1) (b).

C.I.R. v. The Royal Naval and Royal Marine Officers' Association (Ch. May 13, 1955, T.R. 169) was a case where for the years 1945–46 to 1950–51 inclusive it had been claimed that the interest on investments of the Association's death benefit reserve fund was exempt from income tax upon the ground that the Association was a body established for charitable purposes only. The Special Commissioners had found in the respondent's favour; but Danckwerts, J., reversed their decision.

The Association's activities are restricted to the commissioned branch officers of the Royal Navy, formerly called "warrant officers." An unincorporated body, it had originated as far back as 1792 as the Warrant Officers' Benefit Burial Club but had been recon-

structed in 1845, 1872 and 1877. At the time of origin widows were not entitled, as now, to pensions. Rule 2 of the revised rules of 1949, under the title "Object," reads as follows:

The objects of the Association are: (a) to present such a sum of money as is from time to time decided upon by the Association to the nominee, widow, or next-of-kin of a deceased member (b) to give every assistance to members and their dependants (c) to provide such friendly intercourse as the branches may from time to time decide.

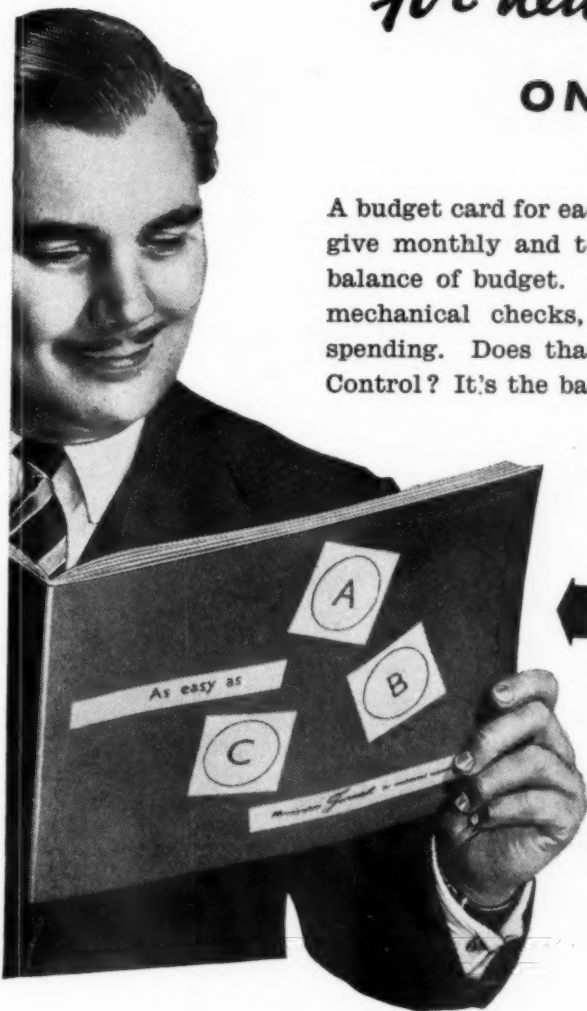
All branch officers were eligible for ordinary membership, but death benefit membership was subject to restrictions as to age, etc. The quarterly subscription of the ordinary member was 2s. 3d., whilst for "D.B." members it was 3s. with an additional 1s. payable on the death of a "D.B." member. The widow of a non-member was not entitled to death benefit, but was put in touch with a charity, the Branch Officers' Benevolent Association, to which the respondent association made regular contributions under Rule 8 (b) of its Rules. The Association had published a monthly magazine since 1888, devoted to the interests of its members but conveying

general information of interest to the Service. Non-members paid 3s. for it. The branches also organised social events such as dances and whist drives with the object of increasing the interest of members and obtaining new members.

Danckwerts, J., said it had been argued that the objects of the Association involved the relief of distress and that the claim to exemption was supportable on the ground that it was for the relief of poverty, but that the main contention which had succeeded before the Special Commissioners was that the real purpose of the Association was to advance the efficiency of the Navy. It, therefore, came within the fourth class of charitable trusts. He held, however, that the beneficial effects of the Association which had been recognised by the Admiralty were the *results* of its activities and not its *purpose*, or its dominant purpose. The promotion of the efficiency of the Royal Navy was, in his view, merely an incidental result and any other conclusion would be inconsistent with the reasoning of the House of Lords in the *City of Glasgow Police Athletic Association* case (1953, A.C. 380; 32 A.T.C. 62; 34 T.C. 76), a decision which, the present writer would suggest, restored a degree of sanity to the subject. Any suggestion that the respondent Association was "established for charitable purposes only," the charitable purpose being the promotion of the efficiency of the Royal Navy, would, it may be hazarded, be regarded with unanimous derision by the members themselves.

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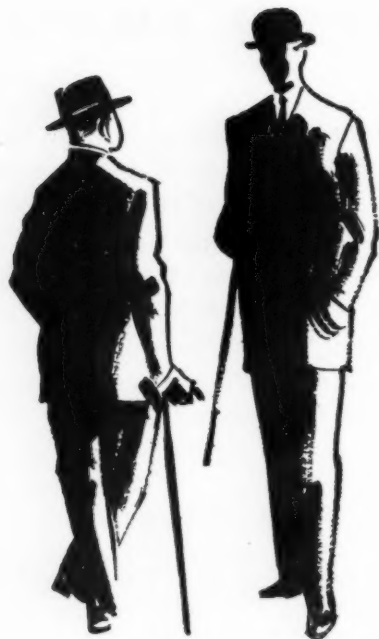
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Income Tax

Trade—Additional assessments based on evidence of one omitted sale—Appeal—Whether in absence of other evidence additional assessments supportable—Income Tax Act, 1952, Sections 36 (3) (b); 52 (5).

Rosetta Franks (King Street) Ltd. v. Dick (Ch. May 3, 1955, T.R. 133) was a case which should prove of far greater practical importance than many others involving much greater and more complex issues. The appellant company carried on the business of a ladies' outfitter and the appeals were against additional assessments for the years 1941/2 to 1952/3 inclusive, aggregating £15,250, some £11,000 more than the admitted profits. It was claimed by the Revenue that sales had been omitted from the company's books. The case arose from the fact that a Mrs. Joan Gray had gone to the company's shop and had there purchased an evening dress for £30 9s. She had started to make out a cheque in favour of the name of the shop when a lady older than the young lady who had made the sale had come up and asked her to make out the cheque to bearer. She had, therefore, crossed out the name of the shop and was about to make the desired alterations when, for a reason sufficiently obvious, the older lady asked her to make out another cheque payable to bearer. Mrs. Gray had done so and ultimately her demand for a receipt had been complied with although there was no name of any shop on it. Uneasy about what had happened, Mrs. Gray, very commendable for her public spirit, had reported the incident to the Inland Revenue with the result above-mentioned.

The General Commissioners had held that the accounts submitted by the appellant company in support of the appeals could not be relied upon to show the whole of the trading profits but had adjourned the case to a later date to give it another chance to show why the additional assessments should not be confirmed. A further adjournment being refused, the Commissioners had fixed the amounts of the assessments for the several years, and the question, admitted to be one of fact, was whether there was evidence upon which they could come to their conclusions. Danckwerts, J., whilst criticising strongly the stated case, held that he could not reject their findings. The actual words of his judgment are important:

It is perfectly true that this is only one incident, and the one incident only, which the Inspector was able to establish before

the General Commissioners, but it was open to the General Commissioners, as it seems to me, to conclude that this was not merely an isolated transaction, but showed the kind of thing which was going on; and they were, in my view, entitled to come to the conclusion to which they did come from this incident, though one only, that there must have been other similar incidents, and, therefore, that the accounts of the company could not be relied upon to show the whole of the trading profit of the company.

In the past, Commissioners hearing appeals have been assailed with doubts about how far they are entitled to draw inferences in a case where only a solitary instance of malpractice has been definitely proved. To use the metaphors of a different problem, the question has been whether they had to regard the matter as the "isolated transaction" of a particular year or could regard it as "a gain made in an operation of business in carrying out a scheme of profit-making" with no definite limits to their conclusions. The decision in the present case will go far to dispel this uncertainty.

Income Tax

Trade—Timber merchant—Purchase and resale of woodlands—Whether part of general trade—Whether profit on transaction within ambit of Case I of Schedule D.

McLellan Rawson & Co. Ltd. v. Newall (Ch. May 13, 1955, T.R. 175) arose out of the purchase and resale of woodlands by a company which by paragraph 3 (a) of its memorandum of association was empowered

... to carry on the business of timber merchants, growers, importers, brokers, factors, agents and dealers, wood merchants and dealers in hard and soft woods,

whilst by subsequent sub-paragraph 3 (b) it was also empowered, *inter alia*, to deal in land and any other property. Until the outbreak of the late war, the business had been mainly that of buying, processing and selling imported timber. During the war the company had to depend on home-grown timber, and it either bought land with timber growing on it or acquired the right to cut standing timber. When the merchanting and saw-milling business had been taken over by the company the vendor firm had retained its unsold land and woodlands and had continued to be assessed upon its profits therefrom. In or about

August, 1948, the company had become interested in an announced sale by auction of three lots of woodland aggregating 218 acres; but, a few days before the auction date, they had all been purchased by the Society of Merchant Venturers of Bristol. The company had then entered into negotiations with the Society. The General Commissioners had found that the company was not interested in the land as such but wanted the timber thereon for the ordinary purposes of its business as timber merchant. It had found, however, that the purchase price was much greater than it expected and that it would be uneconomical to lock up so much capital for the number of years required to clear the timber. The Commissioners had also found that the company, whilst the said negotiations were proceeding, had arranged to sell the property to other timber merchants. Eventually, on November 11, 1948, the company had bought the three lots for £30,000; but it was a term of the agreement that the Merchant Venturers should have an option to purchase the land when cleared of timber for £1 per acre. On September 29, 1948, the company had arranged to sell two of the lots for £26,500, and, on November 2, the remaining lot had been arranged to be sold to another purchaser for £11,500. These sales—all of which took place before the purchases—had been carried out, and the net profits accruing to the company had amounted to £4,846. This had been shown separately in the company's accounts and had not been regarded as part of the trading profit as timber merchants.

The General Commissioners had found that the transaction was in the course of the company's general trade as timber merchants; but Danckwerts, J., said that although the original intention had been to acquire the woodlands for that purpose this idea had not gone beyond the stage of negotiation and, although the question was entirely one of fact, it was impossible to justify the Commissioners' conclusion. Considering this decision, it would seem to be clear that, in the circumstances, the profits in question did not accrue to the company in its capacity as timber merchant: but, seeing that on the facts found the whole transaction, after the original purpose was abandoned, had been carried through entirely from a profit motive, if the decision is intended to imply that the resulting profits were not taxable at all it is difficult to reconcile it with other cases in which liability has been found to attach to isolated transactions of similar nature.

The Student's Tax Columns

THE STUDY OF INCOME TAX

IN NO SUBJECT is it more important to start right than in income tax. Unless certain fundamentals are understood at once, the student has to rely on his memory of how certain things were done in his textbook or study papers. That is bad, because it is impossible to give examples of everything in books or courses.

The first thing to realise is that there are many aspects and rules applied to income tax which have no logical basis; they are legal expedients to make the machinery of tax collection work. The rules are changed from time to time to counter infringements by the taxpayer or to provide reliefs to him; or to change the amount of taxation to be collected.

The things to be learnt first are these—

(1) The income tax "year of assessment" runs to April 5. The term "year of assessment" means the year for which the income tax is charged.

(2) The assessment, i.e. the measurement of the income, is rarely on the actual income of the year of assessment. It is based on rules which vary according to the source of the income. The sources are dealt with in what are called "Schedules," each with its own rules for measuring the income.

Nothing is more important than to learn immediately the source of income assessable under each of the Schedules A to E, and how the income is measured under each. This does not take long, but is fundamental, because it is then possible to look at income and know at once to which Schedule it belongs and therefore how it is to be measured, i.e. assessed. (More about this will be found below.)

(3) A standard rate of tax is fixed each year in the annual Finance Act. Income tax is payable by companies on their incomes at that rate. Individuals, however, are given certain allowances or reliefs which exempt part of their incomes and give reduced rates of tax on a portion of the incomes still chargeable. These reliefs have to be memorised. The amounts of the reliefs change from time to time, but the principles on which they are based rarely alter.

(4) An individual whose total income exceeds £2,000 has to pay sur-tax as well. It is not necessary to study the rules of sur-tax at first, however; these can take their place in the gradual extension of study on the subject.

(5) Income tax payable by companies on all income, and by individuals on unearned income, is due on January 1 in the year of assessment. That payable by individuals on earned income is due in two equal instalments, one on January 1 in the year of assessment, the

other on the following July 1. Sur-tax is due on January 1 following the end of the year of assessment.

(6) There is a system of "deduction of tax at source." Broadly this means that, with few exceptions, all income is taxed as soon as it emerges from the source. If the person charged is not the owner of the whole income, for example, if he has to pay some away as interest on borrowed money, he is entitled to deduct and keep the tax on the income so paid away. This leaves him suffering tax only on the income retained. Should he have to pay away as interest, etc., a larger sum than his income, he must deduct tax and pay it to the Revenue. This scheme prevents lenders of money, etc., escaping tax.

Once the above fundamentals have been assimilated, it will be found much easier to "tack on" the other rules as they are needed.

Assessments

Some students fall foul of the artificial nature of the rules of assessment. These rules remind us of the childish games of "supposing," i.e. the actual income of the year 1954-55 may be £500, but the assessment for that year may be nil or £10,000 or some other figure because the rule of measurement takes as "basis" the income of some other period, or a supposed income.

As examples, (a) the income from property is based on what the property should fetch if it had been let at a proper rent at the date when property was last assessed, even if no rent is being paid. Reliefs are given for repairs, etc. That is under Schedule A. Should the actual rent exceed the assessment, Case VI of Schedule D comes into the picture to catch the excess rent (allowing for relief for repairs). (b) The income from a continuing business is measured by the profit made in the accounting year ended in the preceding year of assessment, i.e. the assessment on a business for the year of assessment 1954-55 is based on the year's profits shown by the accounts ended in 1953-54. If accounts are made up to April 30, it will be the profits of the year to April 30, 1953, that form the basis of assessment for 1954-55. It is important to realise that once the amount of the assessment is arrived at, that amount is regarded as the income of the year of assessment, no matter how much or how little income is actually received in that year of assessment.

Special rules will be learned later for new businesses, discontinuances, etc., but it is essential at once to appreciate that, just as in tennis your first point counts 15, so in income tax your actual income may be very different from the income tax assessment.

The Month in the City

The Squeeze Continued

In the closing days of August and the early ones of September the market continued, under the threat of further rises in Bank Rate, to sag steadily. On the first Monday of September gilt-edged stocks struck a new low since the inception of the cheap money policy, and on the same day the index for industrial Ordinary shares fell to the level of mid-May. The yield of 5.10 per cent. was then at its highest for more than a year. From that point there was a rally, based in part on the fact that Departments ceased selling gilt-edged stock. During the whole of this period there was continuous talk of further action, and both the Prime Minister and the Chancellor issued warnings that unless domestic spending was restrained we might find ourselves in more serious difficulties. Strangely enough, it was not until the rally had set in that any new action was taken, and this was restricted to raising the rates charged to the *Public Works Loan Board* and given on Tax Reserve Certificates. In each case this was the fourth change this year. The increases did no more than bring the figures into line with market prices, if indeed they fully reflected the falls that had occurred. Shortly after this date Mr. Butler and his team set out for the annual meetings of the *World Bank* and *International Monetary Fund* at Istanbul. At his departure the Chancellor again asserted his intention to pursue disinflation with energy and stated—on what evidence it is not clear—that every section of the community was aware that restraint in domestic consumption is essential.

Money for Tankers

The queue of would-be raisers of money were not long in taking advantage of the rather better tone of the markets. Borrowing for *Kenya* was followed by the announcement of issues by *Beechams*, *Gallaher* and *Gestetners*, and then by two of real importance. One was the "rights" offer of £11-12 million by *English Electric*. The other was the offer to all existing share and stock holders of the company of £10 million 5 per cent. Debenture stock of the *Peninsular & Oriental Steam Navigation Company* at 97. This amount, although substantial, represents only a part of the

outlay on which the group are embarking: they propose to build over the next five years twenty-five tankers, mostly of 18,000 tons gross, which will cost some £37 million at current prices. Even for the P. & O. this is a major development, and it may be doubled later if all goes as is expected. The group regard it as in the normal course of development. They see that our share in tanker tonnage is down as against pre-war and they expect the demand for oil, and for tankers to carry it, to expand further as the years and decades pass. The terms of the offer are considered as not too generous, but the sub-underwriting is 1½ per cent. and no doubt the issuing house expects to get a heavy proportion of the money from institutions, all of whom must, presumably, have some interest in P. & O.

Awaiting October

Meanwhile, the August trade figures created a good impression, although it was understood that they were still distorted by strike effects. More important, perhaps, was the absence of any further action, and for some days after the low level recorded above all sections of the market improved. Indeed, within a week the equity index had risen by 3½ per cent. and there was beginning to be talk of a switch into the Funds, where the rally was only a little over one per cent. It is, however, realised that the Chancellor has still to deal with the redemption of £524 million 3 per cent. Serial Funding stock before mid-November and that he may pay some attention to the repeated demands of the financial pundits that he should undertake the conversion of a substantial part of this amount into a medium-dated stock to be held by the investing public. Meanwhile, there was little recovery in the volume of business and the rally seems to owe more to a drying up of sales than to any marked revival in buying. By the middle of the month the market seemed to have settled down to await the opening of the autumn session and the bankers' dinner. Prices continue to rise slowly and the indices of the *Financial Times* showed the following net falls between August 17 and September 19:— Government securities, from 91.24 to 88.11; fixed interest from 102.11 to 99.00; industrial Ordinary from 202.2 to 196.1; while gold mines fell from

86.08 to 85.02, after being rather better on the annual improvement associated with the demands of the Union for a higher official price for gold in the United States and rumours of sterling devaluation.

Dearer Bills

Meanwhile, the first Friday in September saw the market's bid for Treasury bills at the weekly tender dropped by a further fourpence to £98 19s. 8d., with a resultant rise in bill rates of all sorts. Money was fairly consistently tight on many of the succeeding days, but this seems to be the extent of the effects of the credit squeeze so far as the City is concerned. There are, however, signs that it is working through to the consumer in some falling off in purchases, which might reasonably be expected to be represented in substantial part by hire-purchase operations. The August clearing bank figures show a small decline in net deposits on the month, but the seasonally corrected index of Lloyd's Bank for this item shows a rise. Actually advances were slightly lower and the one item to increase is Treasury bills. It is a regrettable fact that the issue of these is rising rapidly each week by sums close to £40 million, and it is to be supposed that this represents, at least in part, funds to pay calls on the *Gas* and *Electricity* issues, largely taken up "inside" and mostly still held by the Departments. This is the really weak spot in the policy of the Chancellor. Until he is prepared to face the fact that a high Bank Rate ought to be a reflection of scarcity he is wasting his time in having high rates. If the over-all supply of money is not cut we shall see no effective curtailment of the excessive domestic demand that is frustrating exports.

TAXATION LECTURES

The following series of lectures for practitioners and students will be given at Kingsway Hall, Kingsway, London, W.C.2, by Mr. Percy F. Hughes, A.S.A.A., F.C.I.S. (Assistant Editor of *Taxation*) and others. Requests for details and applications for tickets should be sent to Mr. Ernest T. Green, F.C.C.S., at Kingsway Hall. Telephone Holborn 8860. The fee is £1 11s. 6d. for each series. Cheques should be sent to Mr. Ernest T. Green and made payable to him.

Advanced Taxation: Seven weekly lectures on Thursdays, commencing October 6 at 6.15 p.m.

Intermediate Taxation: Seven weekly lectures on Wednesdays, commencing October 5 at 6.15 p.m.

Points From Published Accounts

Preliminary Statements or No Preliminary Statements?

SEVERAL COMPANIES will have no truck with preliminary profits statements, and it must be admitted that they can be misleading if not drawn up in the form suggested by the Council of the London Stock Exchange. There is a rising volume of opinion that the first and only intimation of the annual results of companies should be given with the despatch of the report and accounts to shareholders. As readers may be aware, copies of the report and accounts are delivered to the financial Press and City editors (usually late in the day and after the Stock Exchange has closed) the day before they are sent to shareholders, so that the shareholders can read the fact and the Press opinion together.

The chairman of *Stag Line* has written thus: "There seems to be a clear case from every angle for dividend announcements to be made at the same time as the accounts are issued to shareholders. If such became the general practice then an iniquitous practice would come to an end. This being that the shareholders in a company are the last to be informed how their company has fared." Preliminary profits statements and dividend announcements are sent to the Press, and are rapidly broadcast in financial circles and published in the evening newspapers if there is time. But only rarely are they sent directly to shareholders, who may thus be sadly handicapped even if they study the financial columns every day. The word "may" is used deliberately, because prices on the Stock Exchange are of course rapidly adjusted to take account of good or bad news. But there seems to be no reason why shareholders should not be treated in practice, as in law, as the owners of the business and that can only be achieved by giving them the first priority for news of an important nature instead of using the medium of the Press only. It is impossible to define "news of an important nature" but preliminary profits and dividend statements clearly come within the term.

Another part of the letter of the chairman of *Stag Line* states that "There is often no case for any long delay from the end of a financial year to publication

of the accounts. Prewar full accounts were sent to our shareholders within about 15 days of our year-end and since 1940 the average delay has been only 30 days. Small firms should easily be able to cope and there should be no danger of any 'leakage'." The writer has a batch of recently published accounts on his desk; the latest are for the year to June 30, of a hire purchase finance group with assets of £58 million, and the notice of the meeting is dated July 26. In the writer's opinion the chairman of *Stag Line* is under-estimating the task of the accounting profession in making annual audits. So many companies terminate their financial year on March 31, June 30, September 30 or December 31, and so many have overseas subsidiaries and numerous other complications, that it would be impossible for every undertaking to emulate the promptitude with which his company's own audit is done. Without knowing offhand how many ships *Stag Line* possesses, it is rather in the nature of a company possessing a small number of branches and carrying very little stock on its books.

An Omnibus Balance

The report of the directors of *Belliss and Morcom* includes the consolidated profit and loss account, a step which has been advocated in these columns. It is clearly presented in tabular form, and if there is one thing at which the educated reader might balk and on which the investment beginner might be misled it is the "balance of appropriation." This is the net profit after tax plus an excess tax provision and the balance of the profit brought forward from the previous year. The total is over six times the sum paid out in dividends! Why not add on the accumulated general reserve as well? It would have been a simplification to deduct the dividends immediately after arriving at the attributable net profit and then proceed to add the tax credit and the balance from the previous year and deduct the transfer to general reserve. The balance sheets are excellently laid out—though the writer prefers parent and group balance-sheets to be printed on separate pages—and can be heartily

commended as a first-class example for students. There is a tinted background for the comparative figures, bold sub-headings, and no frills. The directors' report, which is signed by the chairman, is very informative.

Two small points must be made. The trading profit shown in the report is struck after deducting depreciation and directors' emoluments, together substantially more than in the preceding year, the details of these items being included in a footnote. It would seem desirable to include them with the trading profit. Secondly, the company is recommending the payment of a non-taxable 5 per cent. dividend out of accumulated capital profits in general reserve. Nowhere in the accounts does the cost of this disbursement appear, and since it is virtually in the same category as the recommended final Ordinary dividend, which is included with current liabilities, the omission is difficult to understand. The distribution will doubtless be approved as heartily as the final dividend, and the cost ought therefore to be deducted from general reserve and shown as a current liability. Shareholders might also be interested to know what is the amount of capital profits remaining in the general reserve in order to judge the possibility of the tax free dividend being continued.

Well-Produced Accounts

Despite the fact that criticisms have been expressed in these columns, they are of a minor nature, and it has been a happy task to review published accounts recently because there is plenty of evidence that the printing industry is being called upon to play a very successful part in the improvement in presentation of accounts. This is very evident in the latest accounts of *Oldham and Son*. The directors' report is the usual almost meaningless statement, but it is followed immediately by the detailed speech of the chairman, which includes a block diagram showing the growth of overseas sales and a chart showing overseas organisation. Then follows the group profit and loss account which shows, unusually and praiseworthy, the undistributed profits attributable to outside shareholdings as well as the dividends paid to outside shareholdings of the subsidiary companies. The accounts take six columns, three being for the comparative figures for the preceding year, and they give details of the profits and allocations of the parent, the subsidiaries and the group. The group totals are printed on a tinted back-



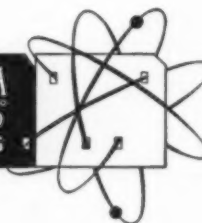
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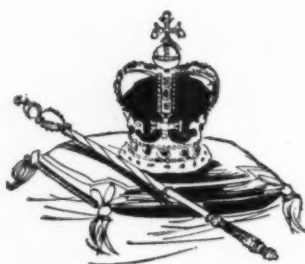
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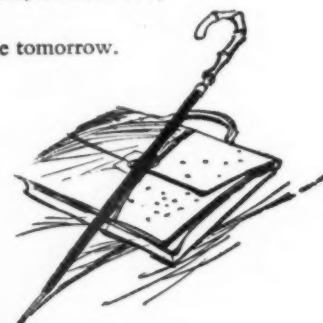
"O, King, live for ever!" the people cry. But under present imperfect arrangements even kings never quite manage to bring this off. The people's chances aren't too bright, either. Crown and sceptre, umbrella and briefcase, all have to be laid aside in time.

The analogy is not exact. National revenues, after all, go on. Private revenues are apt to dwindle and stop . . . Unless the breadwinner pauses in his breadwinning to think: to think ahead to the day when, incredibly but inevitably, someone else will be going through the papers in his writing desk, his deed box, his office drawer marked "Private". To find what? With luck, a safeguard for the years to come. An assurance not only of capital today, but income tomorrow.

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ground, with the comparative figures printed in red but the three pairs are not together. It is suggested that an improvement would be to put the comparative figures immediately alongside the latest figures and other group figures immediately next to the title. We would then have the latest group total in the first column, the comparative figure in the next column, the next two columns given over to the parent, and the next two to the subsidiaries.

The group balance-sheet is not in tabular form but in the good old "old-fashioned" style, according to which the liabilities should all go on the left and assets on the right. Also accompanying the report is a special issue of *The Grid*, the house magazine of the company. This is given over to an illustrated survey of the company in its 90 years' history. One of the amusing illustrations is a comparison of the notepaper headings of 1892 and 1955.

Readers of ACCOUNTANCY might have welcomed a reproduction of the 1892 balance-sheet and compared it with the latest in order to measure the tremendous progress that has been made. But it is not possible to please everyone. Anyway, perhaps in fifty years' time the accounts of which we are so proud today will be derided by our successors. Would any reader dare to predict the form which published accounts will take in the year 2000?

Readers' Points and Queries

Income Tax—Arrears of Loan Interest

Reader's Query.—One of our clients was kept in charge for the years 1952/53, 1953/54 and 1954/55 in respect of loan interest amounting to £48 (gross) per annum. When recently asked for information to complete his income tax return for 1955/56, the client stated (contrary to previous information supplied by him) that, in fact, no interest had actually been paid on the loan during the years in which he had been kept in charge, although the loans had never been repaid.

Accordingly I notified my principal to advise the Inspector of Taxes that a repayment of tax would be due for the three years to 1954/55, having always been under the impression that charges were liable to tax at the standard rate in force for the years in which they were actually paid.

However, my principal disputed this action and stated that as the client would be paying the arrears of interest when his financial situation was better, it would be advisable to exercise the option to have the charges spread over the years rather than have the client face a heavy assessment for the year in which he actually paid the arrears.

Under what Section of the Acts does the taxpayer have this option? Is it concessionary treatment, or is the "spreading over" of charges disallowed?

Reply.—Our reader should refer to ACCOUNTANCY, March, 1954, page 109, and May, 1954, page 190 for the principles involved. There can be no question of deduction of tax until payment of the annual charge occurs. Until then there is

nothing for which to account. The taxpayer pays tax on his income. If there was income brought into charge to tax of £48 or more in the year the annual charge became due, Section 169 applies. Tax has already been paid on the income, and there are no repercussions unless tax has not been paid at the standard rate on that amount of income, in which event the appropriate additional charge is necessary. Tax is deductible at the rate in force when the payment became due.

Should the total income of the year the annual charge became due be less than £48, Section 170 applies to the deficiency. Tax is deductible at the rate in force at the day of payment and must be paid over to the Revenue.

Winding-up of Private Company—Sur-tax and Profits Tax

Reader's Query.—I should be grateful if you would advise on two points which have been raised by the managing director of one of the companies of which I am secretary.

It is proposed shortly to wind up one of the private limited companies of which this managing director is virtually the sole shareholder. It is to be a members' voluntary winding-up. The company concerned has made very considerable profits over the past twenty-five years but over the past four or five years has not made any distribution to members, as it was considered that profits be retained in the business to help finance expansion. So far no direction has been made by the Special Commissioners in regard to sur-tax on un-

distributed profits. In view of the ruling in *C.I.R. v. Burrell* (C.A. 1924) it appears that no sur-tax can be levied upon distribution to members of surplus after liquidation of the company, even if the surplus comprises mostly accumulated profits. I am, however, a little doubtful whether or not the Special Commissioners are entitled to raise an assessment even though a liquidation has commenced.

The second point is that it is proposed to sell the goodwill of the company (valued at a nominal figure of £1) to a second company, which is also controlled by the same managing director, for the sum of £10,000. In this case would there be a Profits Tax distribution charge raised on the second company on this sum because it would virtually be a distribution of assets for the benefit of a member?

Reply.—As soon as the company goes into liquidation the provisions of Section 253, Income Tax Act, 1952, come into force, with the result that the income for the period from the end of the last accounting period to the date of liquidation is deemed to be available and that for the previous year is also so treated. For this purpose accounts are deemed to be made up prior to the liquidation only if, in fact, they were completed and dealt with by the company before commencing liquidation. The Special Commissioners are quite entitled to raise an assessment after the liquidation has commenced.

If the liquidation can be deferred for a while a dispensation might be had under Section 252 in respect of past years.

Unless the second company is a shareholder of the first, there would be no gross relevant distribution to attract a distribution charge. Even if the second company were a shareholder, provided that the goodwill was sold for the market value it would appear that there would be no distribution.

Publications

Cost Accounting. By W. B. Lawrence, revised by John W. Ruswinckel. Pp. xii+659. (*Sir Isaac Pitman & Sons Ltd.*: 45s. net.)

THIS IS THE first publication in Britain of a well known American text on factory accounting in a completely integrated costing system.

The first two chapters explain the purposes and elements of cost and the basic books of original entry. The next seven chapters are devoted to a consideration of the three elements of cost, described as materials, labour and indirect cost. Then follow three chapters given up to an able explanation of standard costs as a means of control. Thereafter, the book deals with such matters as cost estimating, distribution costs, budgets, cost ratios and the graphic presentation of cost data. It concludes with a short discussion on uniform costs and some 160 examination problems.

Throughout, emphasis is placed on the effect on inventory valuations of the various methods of charging the three cost elements to production. An interesting recommendation is that cash discounts receivable should be regarded as a reduction of material acquisition cost. In this way any discounts lost would be high-lighted for the information of the management. The procedure is not usual in this country but it might with advantage be adopted.

Apart from the general excellence of this painstaking text and its profuse illustrations, the reviewer is struck most forcibly by the confusion likely to result from the inadequacy of accounting terminology. For example, the chapter on indirect costs commences by dividing such costs into categories, the first of which is labelled "direct charges." Later in the text, in a chapter devoted to direct costing, direct costs are differently defined, as those costs which vary rateably with production. Admittedly, the text makes it clear that direct charges as part of manufacturing expenses are traditionally those charges which may be charged to a cost centre without the necessity of pro-rating, but what a pity it is that the word "direct" should be applied to a category of costs already described generally as "indirect." The difficulty can be overcome by discussing expenses without the

adjective "indirect" then sub-classifying them into variables, semi-variables and fixed, following that by making a distinction between those expenses which may be departmentalised or charged to products without pro-rating and those which require to be allocated on some basis. The criticism is not so much of Mr. Ruswinckel but of accounting terminology itself—though he might have earned the distinction of putting forward a new and better nomenclature. By taking words from the general vocabulary and ascribing to them special meanings, and in many cases giving different meanings to the same word, we confuse the student and sometimes confound ourselves and our fellow-accountants.

The following minor suggestions might improve a future edition of this first-class book:

1. There should be included illustrated explanations of the machine hour rate method of allocating departmental expense to products.

2. The Z chart should be used in place of that shown in the text illustrating graphically the monthly sales and sales accumulations.

3. A horizontal axis should be used instead of a vertical one in the chart portraying the percentage increases and decreases of costs over a period of time. This would also involve the calibration in terms of time on the horizontal axis, as is usual in line charts.

R.A.

Budgetary Control, Standard Costing and Factory Administration. By S. R. Cave, A.S.A.A., A.C.W.A. Pp. 152. (*Gee & Co. (Publishers) Ltd.*: 25s. net.)

THERE ARE SEVERAL excellent textbooks on the theory of budgetary control, standard costing and industrial organisation. For the accountant or the fairly advanced student any of them would suffice as a source of information or for examination study. A newcomer is apt to be confused in the welter of theory and in the study of alternative techniques that have advantages in certain circumstances. However, if he is the type of person who learns by example and prefers a case study on the practical application of these tools of management accounting he will find the present volume useful, for it is evidently based on a working practical model that the author has always in mind.

As a practical illustration the book has its advantages and there is a useful summary on the presentation of information to the various levels of management. It suffers, however, from the

defects inherent in its mode of exposition: it cannot be regarded as a textbook complete in itself, though it does, however briefly, introduce the range of its subject. One might desire a more logical arrangement of the ground covered. The author has not, it would seem, found much sympathy for the orthodox approach in explaining budgetary theory, which starts with the sales budget, and works through the production and capital budgets to the finance budget.

S.F.T.

The Agricultural Landowners' Handbook on Taxation. Part I (9th edition). Revised by J. C. Hastings. Pp. 147. (*The Country Landowners' Association, 24 St. James's Street, London, S.W.1*: 15s. net.)

THIS HANDBOOK CONTAINS an exhaustive review of the provisions of the Income Tax Act and the Finance Acts affecting the agricultural landowner, and is supported by a review of those sur-tax, profits tax and estate duty provisions of interest to an agricultural landowner. It appears to be intended both as an *aide-mémoire* to the country gentleman who requires a convenient summary of taxation points to be borne in mind in administering a country estate, and as a guide in dealing with the taxation problems that arise in the occupation or ownership of agricultural land. The narrative has the somewhat unusual merit, while containing a reprint of the most important taxation provisions, statutes, sections and so on, of being comparatively lucid to read—and for this it deserves much praise. The treatment of certain items, particularly maintenance claims and the basis of assessment under Schedule A, is exhaustive, yet comprehensible to the lay reader: and to the extent that it is an *aide-mémoire* to the country landowner, it is to be commended.

Two substantial points, however, call for some criticism. The first is a general one. The handbook tends to fall between two stools: in an attempt to cover all the possible points that might interest the landowner, it does not give exposition, or worked examples, sufficient to enable one who is unfamiliar with the ordinary processes of income tax negotiation satisfactorily to handle the practical aspects of an intricate subject, and any country landowner who endeavours to settle his taxation affairs with the aid of this handbook alone will find that he has gained experience the hard way.

The second criticism is of a more

specialised character. Accountants particularly will disagree with the apparent underlying assumption of the book that taxation is *not* a field in which the specialist is paramount. The layman reading this book would suppose that no further assistance was necessary in dealing with any aspect of income tax on agricultural property. In its one hundred and forty pages there are only two references to the desirability of expert advice. If it is viewed from this limited angle, criticism can be levelled against several points of detail: notably in the treatment of the basis of assessment of the early years of a new business, in the treatment of initial and annual allowances for those years, and in some comments on the basis of valuation to be adopted for accounting purposes.

Further illustrations of this tendency are the absence of any reference to the desirability of any form of capital expenditure budget, to the necessity to relate capital expenditure to the possibility of income fluctuations, and to the importance, in the treatment of losses under Schedule D, of considering personal allowances and reliefs available to an individual taxpayer.

These however, are largely criticisms from a specialist viewpoint: and for what is presumably its prime purpose, the provision of a convenient summary of taxation law for reference by a layman, the book is indeed a valuable one.

S.V.P.C.

The Form of Published Accounts of Local Authorities. Pp. x+175. (*The Institute of Municipal Treasurers and Accountants, London: 42s. net.*)

THIS PUBLICATION GIVES recommendations of the Council of the Institute of Municipal Treasurers and Accountants on the way in which local authorities should present their published accounts.

In Chapter 2 the controversial subject of "objective" versus "subjective" classification is discussed. The Council says it wishes to encourage more of the objective kind of analysis, where it is practicable and fruitful. The practical application of this suggestion is exemplified in the chapter dealing with the recommended form of accounts for the various rate fund services.

Separate chapters are devoted to capital; balance sheets; standard classifications for revenue account; detailed exemplifications of health and highways services; outline exemplifications of other rate services; other accounts—detailed exemplifications; unit costs and general statistics. A useful appendix

deals with the application of coding to the recommended classification.

The standard classifications recommended are objective for the service heads themselves, and for their divisions and sub-divisions. Standard groupings are recommended for the next level of analysis, and these are subjective heads, being common to all services, for example, running expenses, debt charges, revenue contributions to capital outlay, and taxation. The standard groupings for income are sales, fees and charges, rents, interest, and miscellaneous.

Although standardisation of local authority accounts is well nigh unattainable, this work is a very creditable attempt to evolve a uniform method of classification to suit the needs of individual local authorities. At present, the published accounts of local authorities show great diversity, and any attempt to promote uniformity is to be welcomed. The advantages of uniformity are self-evident; the most important is that comparisons could be made of the accounts by local authorities themselves, members of the public, central government officials, economists, and other persons interested W.S.E.

Reporting Back. Pp. viii+60. (*Published for the British Institute of Management by Management Publications, Ltd., 8 Hill Street, London, W.1: 7s. 6d. net.*)

FOUR GROUPS of junior managers from British industry studied "the philosophy, principles and techniques of American business management" at the Universities of Cincinnati and Syracuse during 1951-52 and 1952-53. Funds were provided by the Mutual Security Agency. Each course lasted nine months, and the sixty-three members of the groups paid a total of 452 visits to firms, trades unions, business associations and Government Departments.

It is notable that the outstanding impressions, a summarised statement of which is prefaced to the report, are not of techniques and methods but of attitudes and beliefs, not only "in every department and at all levels" in business concerns, but among the American people generally. The first point mentioned is "the high social prestige of business in general and of the manager in particular."

Emphasis is given to the widespread cost-consciousness resulting from the supreme importance attached to the volume of sales. Budgets, standard costs, and financial monthly statements for management are found to be almost universal, and the financial and cost

departments are in "continuous, close and effective co-operation" with the production departments.

Other sections of the booklet discuss management, production, distribution, labour, and education and training. The young managers have produced a well-written and stimulating report. A.H.P.

Government Finance and Fiscal Policy in Post-War Britain. By A. R. Ilersic. Pp. 278. (*Staples Press Ltd., London: 25s. net.*)

THIS NEW BOOK on government finance and fiscal policy deals with contemporary problems, and as circumstances have been changing rapidly a new treatment is most welcome. The book is written primarily for anyone taking an economics degree and for the professional man with an interest in public finance. It is more than either a textbook or a book of general interest to the non-specialist: the general plan and the method of exposition are therefore of extreme importance. In the main the author has been successful.

The first section covers the general principles of modern fiscal policy. The treatment is largely non-technical and it gives to the non-specialist the necessary background. But the subject is a difficult one and no non-technical treatment will be completely satisfactory fare for the serious student; the book shows very clearly the simplicity and the limitations of the basic models which have to be used for government policy.

The second and major section of the book discusses the effects of taxation on the national economy. Direct taxes are treated very much more fully than indirect taxes and the details given are of great value. The author explains in the preface that indirect taxes are adequately covered by existing text books. It seems, however, that their virtual omission in a general book of this type was a mistake. The discussion of direct taxes is well balanced and the relationship between the considerations very fairly represented. The author avoids academic arguments which, despite their elegance, do not help anybody to form an opinion. This gives the happy result of keeping the important issues to the fore, but on the other hand the argument is not always as rigorous as it might be. It would, nevertheless, be ungenerous to dwell on this point as it is the particular blend of the practical with the theoretical which gives the book its value. A more important criticism is that the treatment of the subjects tends to lack form and, as a result, useful distinctions tend to be

lost; for example, not enough is made of the distinction between temporary expedients and more permanent measures.

The third and final section of the book is on monetary policy. A considerable knowledge of the banking system is assumed and many are likely to find the chapters entitled "Monetary Policy: Old and New" and "Modern Credit Control" very much more difficult than the rest of the book. All must enjoy the discussion of the events of the last ten years. The explanation and examination of opinions which have been expressed about government policy will be of the greatest interest to many who have taken a general interest, but have been unable to follow events closely. The story of changing government monetary policy has not previously been available to any but the complete specialist.

It is not easy to write for a somewhat heterogeneous group of readers on this wide and complicated subject. Mr. Illersic's book, however, is most readable and well suited to its purpose. L.C.

Very Private Enterprise. By Aylmer Vallance. Pp. v+205. (Thames and Hudson, London: 15s. net.)

THIS BOOK BRINGS together the *causes célèbres* of the financiers and speculators who have carried "private enterprise" to lengths which were sometimes illegal, sometimes "within the law" but contrary to public interest. The author specifically limits his investigation to activities integral to the financial markets and their traffic. But even here there is a further limitation. Mr. Vallance is concerned only with financial operations organised on the grand scale for the exploitation of a significantly large section of the community. In the course of some 200 pages he deals in an attractive manner with John Blount (of South Sea Bubble fame), the City of Glasgow Bank case, Jabez Balfour, Whittaker Wright, E. T. Hooley, Jimmie White, Horatio Bottomley, the failure of Farrow's Bank, the Portuguese bank notes case, Clarence Hatry, Ivor Kreuger, Samuel Insull, Martin Harman of Lundy Island, Stavisky, Frank James White and his Cotswold Cider, and—two personalities of direct interest to accountants—Gerard Lee Bevan (of the City Equitable Fire Insurance case of 1925) and Lord Kylsant. This galaxy of talent thus ranges from the gross frauds of Jabez Balfour to the activities of Jimmie White who committed no crime but whose work the author dubs as "socially immoral" (no definition given).

Mr. Vallance had a large field to draw

upon and no doubt had to decide to eliminate many deserving applicants for admission to his book. But we should have welcomed a chapter on Daniel Drew, Jim Fisk and Jay Gould. The activities of this trio under the administration of President Grant have yet to be equalled. However, Mr. Vallance's book is mainly concerned with British financiers and on the whole operators in this country are pedestrian compared with their American contemporaries so vividly portrayed in Josephson's *The Robber Barons*.

The author believes that the days of the great financial buccaneers are over. Legislation is reasonably exacting; the public are now too sophisticated. This seems rather optimistic. Let the over-confident investor turn to page 15 of *Securities Regulations* by Louis Loss. Here we are told of a promotor who in 1949 secured \$100,000 from "investors." Churchill, Roosevelt and King George and the British Parliament all appeared in the prospectus as giving some sort of support to the enterprise.

The author rightly finds that the opportunity for fraud lies in that divorce of ownership from control so characteristic of modern companies. The remoteness of the shareholder from his "property" leads inevitably to the managerial entrepreneur. The entrepreneur may be fraudulent. But many of the problems of company fraud have their roots in the remarkable tenderness of our courts for the part-time director. Directors are trustees in only a very limited sense and it is this fact that frequently gives scope to the fraudulent promotor and manager. The *Marquis of Bute's* case (1892) and the *Brazilian Rubber Plantations and Estates, Ltd.* case (1911) can still be read with profit.

But although all countries have had their "robber barons" we must not tar the financial world with too broad a brush. There are probably as many honest people in the realms of finance as in other walks of life.

Mr. Vallance places great reliance on the provisions of our Companies Acts relating to audit and the information required in prospectuses as tending to prevent fraud. Whilst not doubting the efficacy of audited accounts one may question whether the provisions concerning prospectuses are as fool-proof as he contends. There is in this country no governmental agency comparable to the Securities Exchange Commission of the United States charged with the duty of investigating the statements of a prospectus. It is one of the curiosities of company law that the

"capitalist" United States has far more stringent provisions relating to the issue of prospectuses than has "socialist" Britain.

Although Mr. Vallance does not quite fulfil the promise of the publishers "to analyse high finance in its sociological setting" the book will be of great interest to accountants and can be cordially recommended to them for off-duty reading. J.L.G.

An Introduction to Cost Accountancy. By R. Warwick Dobson, C.A., F.C.W.A. Three volumes. (Gee & Co. (Publishers) Ltd.: Vol. I, 35s.; Vol. II, 25s.; Vol. III, 37s. 6d. net.)

THIS BOOK IS an unusual and outstanding work, not merely on the principles of cost accountancy but also on the methods to achieve the speed and economy in accounting that are essential if the modern concept of cost control is to be made effective. No single industry is specifically covered, but the alternatives available in any given set of circumstances are treated so thoroughly that something of advantage can here be found for every business.

The comprehensive treatment of the mechanics of cost accounting can be best appreciated by those who already have some working knowledge of the problems; thus the book is more suitable for advanced students and qualified men than for beginners. The title of the book is perhaps rather misleading, but the author justifies the word "introduction" by pointing out that his work deals in an introductory way with all the subjects at present falling within the sphere of cost accountancy and that each chapter is capable of development into a larger work. The book does not, however, attempt to tell the cost accountant the meaning of the information he prepares.

The work as a whole consists of nearly 900 pages, split into three volumes.

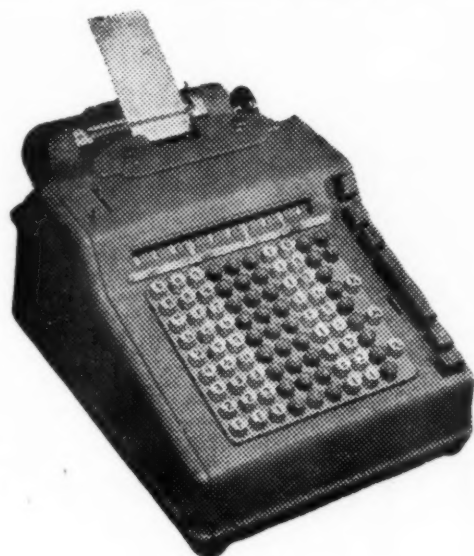
The first volume, on the theory of costing and cost control, describes methods of evaluating the factors of production and of analysing and classifying costs for control purposes. It also discusses standard and marginal costing techniques, uniform costing, budgetary control and cost improvement.

Great care has been taken to conform to *The Terminology of Cost Accountancy* published by the Institute of Cost and Works Accountants, and the terminology has in fact been written into the text. This represents both a strength and a weakness. Almost every sentence con-

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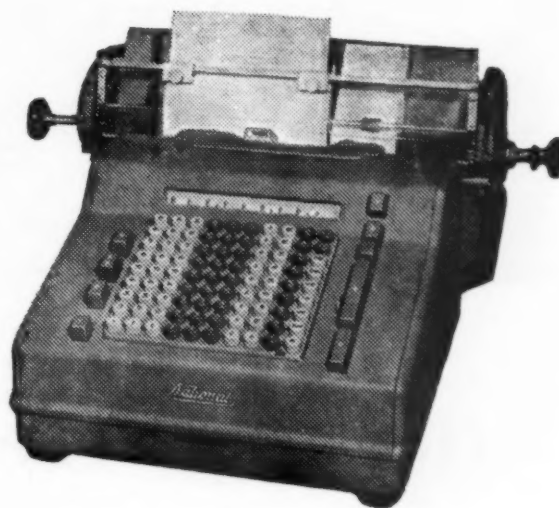
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... Yet 4 Weeks Later He Swept Them Off Their Feet!

In a daze he slumped to his seat. Failure... when a good impression before these men meant so much. Over breakfast next morning, his wife noticed his gloomy, preoccupied air.

"What's the trouble, dear?"

"Oh... nothing. I just fumbled my big chance last night, that's all!"

"John! You don't mean that your big idea didn't catch on!"

"I don't think so. But Great Scott, I didn't know they were going to let me do the explaining. I outlined it to Bell—he's the public speaker of our Company! I thought he was going to do the talking!"

"But, dear, that was so foolish. It was your idea—why let Bell take all the credit? They'll never recognise your ability if you sit back all the time. You really ought to learn how to speak in public!"

"Well, I'm too old to go to a class now. And, besides, I haven't got the time!"

"I've got the answer to that. Where's that magazine?... Here—read this. Here's an internationally known institute that offers a home study course in effective speaking. They offer a free booklet entitled *How to Work Wonders With Words*, which tells how any man can develop his natural speaking ability. Why not send for it?"

He did. And a few minutes' reading of this amazing book changed the entire course of John's business career. It showed him how a simple and easy method, in twenty minutes a day, would train him to dominate one man or thousands—convince one man or many—how to talk at business meetings, lodges, banquets and social affairs. It banished all the mystery and magic

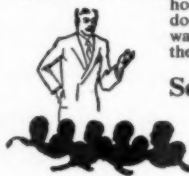
of effective speaking and revealed the natural Laws of Conversation that distinguish the powerful speaker from the man who never knows what to say.

Four weeks sped by quickly. His associates were mystified by the change in his attitude. He began for the first time to voice his opinions at business conferences. Fortunately, the opportunity to resubmit his plan occurred a few weeks later. But John, this time, was ready. "Go ahead with the plan," said the Managing Director, when John had finished his talk. "I get your idea much more clearly now. And I'm creating a new place for you—there's room at the top in our organisation for men who know how to talk!"

And his newly developed talent has created other advantages for him. He is a sought-after speaker for civic, banquet and lodge affairs. Social leaders compete for his attendance at dinners because he is such an interesting talker. And he lays all the credit for his success to his wife's suggestion—and to the facts contained in this free book—*How to Work Wonders With Words*. For twenty-five years the Speakers' Service has been proving to men that ability to express oneself is the result of training, rather than a natural gift of a chosen few. Any man or woman can absorb and apply quickly the natural Laws of Conversation. With these laws in mind, the faults of timidity, self-consciousness, stage-fright and lack of poise disappear; repressed ideas and thoughts come forth in words that sparkle with brilliance, charm and power.

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tains a precise definition of one kind or another, making the book rather hard to read. Even with illustrations and examples, which are numerous, the object appears to have been to compress as many facts as possible into a small space, rather than to supply explanations and amplification of definitions. This comprehensiveness is perhaps a little unbalanced; for example, no less than thirteen different methods of valuing materials issues are described, yet in showing the effect of price variations on the stock valuation where receipts are recorded at purchase price and issues at standard price (page 42) the author gives the impression that stock accounts are normally kept on a mixed valuation basis, and fails to indicate that, in practice, price variations would be segregated before purchases were included in the stock account. Similarly, in the chapter on "expenses," fifteen out of the total of twenty pages are devoted to depreciation, yet many other important items are omitted entirely as being only background subjects.

Nevertheless, much of the information is new or is presented in a new light, and the suggestions for cost improvement are particularly interesting.

The second volume considers the mechanics of cost accounting. Almost half of the volume is given over to descriptions of machines and appliances and is profusely illustrated; perhaps unnecessarily so, because office machinery so quickly becomes obsolete and a visit to any Business Efficiency Exhibition would supply much of the information in its most up-to-date form. There are some extremely useful hints on the application and design of forms, together with chapters on the construction of procedure manuals, the preparation and presentation of information to management and on the audit of costs. The two chapters on cost book-keeping seem, however, somewhat out of context and might have been better included in Volume III.

The third volume shows the types of records required both for the routine accounting and for the presentation of the information so obtained, and covers not only manufacturing but retail and service undertakings. Separate chapters are devoted to accounting for sales, materials, wages, expense, fixed assets, cost centres, cost units, standard costs and marginal costs, and each chapter is copiously illustrated with specimen forms. Most of the specimens represent up-to-date proprietary systems and are very useful in demonstrating their

practical application both to handwritten and machine records. Alternatives are usually given and their respective merits analysed in detail. For example, the specimen employees records and plant records cover practically every contingency that can be visualised. The volume is completed by an interesting chapter on uniform costing and uniform cost accounting.

Each volume is separately paged and indexed: while each is thus self-contained, it might have been better to have used one comprehensive index for the three.

The book as a whole is a magnificent work, and should prove an essential work of reference for cost accountants, office managers, company secretaries and any one concerned with the running of an office. It is a book which is "different."

G.T.

Book-keeping and Accounts, for Business, General Certificate and other Examinations. Pp. vi + 272. By Derek Thomas, F.A.C.C.A., F.C.C.S. (*Clark's Publications*: 7s. net.)

THE AUTHOR, aiming to meet the requirements of both employers and examiners, adopts a practical approach, progressively covering the work of an Accounts Department of a business. This method, and the device of making many of the end of chapter tests progressive, adds interest while making revision largely automatic.

The book is thus suited for the tyro book-keeper and for those who, while having little or no practical experience, are preparing for examinations requiring a knowledge of book-keeping. Their teachers will find the work a good primer for classes.

In the opening chapters the student progresses from the keeping of day-books to the preparation of simple final accounts. Following chapters introduce more advanced topics, such as departmental analysis, three-column cash books, bill books, the form and preparation of accounts for presentation to the proprietor, partnerships, and some aspects of company accounts. The last chapters deal with "reading a balance sheet" (giving a glimpse of the usefulness of the final product), and the special requirements of more advanced but unspecified examinations.

Mr. Thomas was faced with the difficult question, inevitable in writing a book of this kind, of what *not* to include in it. Some readers may feel that they would have answered it rather differently. They may wonder why more

than six pages should be given up to P.A.Y.E. calculations, and why complete sections of the tax tables and a specimen form P11 should be reproduced. They may also feel that it is hardly consistent to treat of consignment accounts but, presumably in order to avoid excessive detail, to omit goods on sale or return, hire purchase records and packages accounts.

The discussion on the valuation of goodwill and on partnerships and company accounts might be amplified in a later edition, even if at the expense of P.A.Y.E.

M.H.W.

Books Received

A Current Digest of the Law Affecting Accountancy. Fourth issue, May 1-August 31, 1954. Pp. 91 (*Incorporated Accountants' Research Committee, London, W.C.2*: 5s. net.)

Making the best use of the Accountant. By W. G. A. Russell, F.S.A.A. Pp. 11. "Practice Note" Series No. 41 (*Incorporated Accountants' Research Committee, London, W.C.2*: 2s. net.)

Costs, Plans and Prices. By D. Solomons, B.COM., A.C.A. Pp. 10. "Practice Note" Series No. 31. (*Incorporated Accountants' Research Committee, London, W.C.2*: 2s. net.)

City of Coventry. Abstract of Accounts, 1954-55. Pp. 407. (*City Treasurer, The Council House, Coventry*.)

Financial Management. By G. S. Nelson, A.S.A.A. Pp. 6. Practice Notes No. 32. (*Incorporated Accountants' Research Committee, London, W.C.2*: 2s. net.)

Incentives for the Clerical Worker. By G. J. Mills, A.C.I.S. Pp. 8. Practice Notes No. 33. (*Incorporated Accountants' Research Committee, London, W.C.2*: 2s. net.)

Mechanisation, Present and Future. By D. W. Hooper, A.C.A. Pp. 40. Practice Notes No. 34. (*Incorporated Accountants' Research Committee, London, W.C.2*: 5s. net.)

Borough of Luton. Financial Survey 1954-55. Pp. 38. (*Borough Treasurer, Town Hall, Luton, Beds.*)

Borough of Watford. Finances for the Year ended March 31, 1955. Pp. 43. (*Borough Treasurer, Town Hall, Watford*.)

Periodical Financial Statements. Report of an Investigation made by the Leicester Research Committee of the Society of Incorporated Accountants. Pp. 29. "Reprint" Series No. 20. Reprinted from *Accounting Research*, Vol. 6, No. 2, April, 1955. (*Incorporated Accountants' Research Committee*: 5s. net.)

Standardisation: an Aid to Productivity. B.P.C. Action Pamphlet 4. Pp. 15. (*British Productivity Council, 21 Tothill Street, London, S.W.1*: 9d. net.)

Legal Notes

Contract and Tort— Openings in Pavements

Many town buildings have openings into their cellars from the public highway. In *Penney v. Berry* [1955] 1 W.L.R. 1021, the plaintiff was walking along the street when she tripped over one of these cellarheads, which consisted of a metal slab set in a concrete surround. There is a statutory obligation upon the occupiers of such buildings to keep their cellarheads in repair, and the plaintiff brought her action against the occupier. It was found, however, that both the metal slab and the surround were in good repair and that the cause of the accident was that when reconstructing the pavement the local authority had allowed the surround to project above the pavement. The Court held that in these circumstances the occupier was not liable.

Contract and Tort— Conversion of Cheques by Bank

In *Baker v. Barclays Bank Ltd.* [1955] 1 W.L.R. 822, B. sued the bank for damages for conversion in the following circumstances. B. and X. traded in partnership in the name of "Modern Confections." Each partner had authority to endorse cheques alone. Nine cheques drawn by the firm's customers in favour of "Modern Confections" were endorsed by X., but instead of paying them into the firm's banking account he fraudulently delivered them to J., who paid them into his own account with the B. Bank. The bank manager asked J. for an explanation and was told that X. was the sole proprietor of the business, that J. was helping him on the financial side of the business and that X. owed J. money. This explanation was accepted by the bank manager.

Devlin, J., held that by delivering the cheques to J. X. had converted them against his co-owner, B., and that by collecting the proceeds of those cheques the bank was also *prima facie* guilty of conversion. He then went on to consider two further defences raised by the bank: (a) that they were "holders in due course" and (b) that they were protected by Section 82 of the Bills of Exchange Act, 1882. As to (a) his Lordship held that since X. had been fraudulent the onus lay on the bank to prove that value had subsequently been

given for the cheques, and, although he was not satisfied that J. was a party to the fraud, he was also not satisfied that value had been given. As to (b) the regular practice adopted by J. of paying these cheques into his own account ought to have put the bank on enquiry and the enquiries which were made were not sufficient to prove that the bank had not been negligent. Accordingly, both these defences failed. His Lordship also held that B. was entitled to sue without joining X., but that, as X. was entitled in his own right to half the value of the cheques, B. could only recover the other half from the bank.

Executorship Law and Trusts— Pooling and Investment of Charitable Funds

In *re Royal Society's Charitable Trusts* [1955] 3 W.L.R. 342 is a case of considerable interest to the trustees of charities and their advisers. The Royal Society is the trustee of a number of charities possessing their own separate trust funds, some large and some small. The Society applied to the Court for leave (a) to combine the trust funds into a pool in which each charity should have an appropriate share and (b) to enlarge the range of the investments of the pooled funds. Vaisey, J., said that in his view both proposals would be advantageous; the combination of the trust funds into a pool would simplify the administration of the trusts and spread the risks, while the enlargement of the range of investment was a recognised method of combating inflation. He further held that in the exercise of the special jurisdiction that the Court has over charities he had power to authorise such proposals by way of a scheme in a case where the Attorney-General consented or did not object. He therefore sanctioned a scheme in a form which the Attorney-General approved.

His Lordship emphasised that in his view the case before him was exceptional: it did not follow that the range of investment ought to be widened as of course whenever a charity found its available income less than its trustees would wish, nor should the existence of many trusts under the administration of one trustee be regarded in every case as justifying a pooling of investments.

The report gives details of the investments authorised outside the normal range of trustee investments. These included U.S.A. Federal and State securities and debentures, and Preference and Ordinary shares of United

Kingdom and U.S.A. companies, provided that the securities were quoted on a recognised stock exchange, that all shares were fully paid-up and that, in the case of Ordinary shares, each company concerned should have a paid-up capital of at least £750,000 or its equivalent. The Court also stipulated that no funds should be invested outside the normal range if the value of the investments in the pool within that range were then or would thereby become less than one third of the total value of the pool.

Insolvency— Bankruptcy Appeals

A case in bankruptcy to be noted was *In Re Joyce* [1955] 1 W.L.R. 800, where the debtor appealed against the refusal of a Registrar, when granting him a suspended discharge, to certify that the bankruptcy was caused by misfortune without any misconduct on the part of the debtor. The Court of Appeal decided that on the facts the Registrar's refusal was fully justified, and this aspect of the case does not call for any report. The Court of Appeal, however, also discussed the proper procedure and said that (a) upon the hearing of an application for discharge the debtor can ask for a certificate of misfortune without making a separate substantive application for that certificate; (b) an appeal against the refusal of a certificate should be made *inter partes* and should follow the appropriate procedure.

COURSE ON MANAGEMENT ACCOUNTING

The Regent Street Polytechnic has arranged a course on *Management Accounting*, to start on Thursday, October 13. The course is held on one afternoon a week, from 2 to 5 p.m., for a period of fifteen weeks. It is intended for senior executives and financial and cost accountants. The lecturer in charge is Mr. M. D. Callender, B.COM., A.C.W.A.

A course commences each term on *Work Simplification in the Office*. These courses are for office executives, and will be held on one morning a fortnight from 9.30 a.m. to 12.30 p.m. A full course extends over one session of three terms.

All these courses are held at St. Katharine's House, 194 Albany Street, London, N.W.1. Applications for enrolment should be made to the Registrar of the Department of Management Studies at that address. The fee for each course is £1 10s. for students living in the administrative county of London, or working for firms with head offices in London.

THE SOCIETY OF Incorporated Accountants

Cambridge Course

THE SOCIETY HELD a course at King's College and Caius College, Cambridge, from September 22 to 26, with the kind permission of the Master of Caius, the Provost of King's and the Fellows of the two Colleges (see also pages 362 and 371-79 of this issue of ACCOUNTANCY).

On September 25 morning service was conducted in Caius College Chapel by the Rev. H. W. Montefiore, Dean of the College. In the afternoon of that day, parties made a tour of the colleges of the university. On September 26, there was a guest night dinner in King's College. In the unavoidable absence of Mr. Bertram Nelson, the President of the Society—who had attended the course—the dinner was presided over by the Vice-President, Sir Richard Yeabsley, C.B.E., who proposed the toast of the guests. The Rt. Hon. H. U. Willink, M.C., Q.C., M.A., the Vice-Chancellor of the University, The Rt. Hon. Lord McNair of Gleniffer, and Mr. A. W. Christmas, Vice-President of the New Zealand Society of Accountants, responded. Others who accepted invitations to the dinner were:

Sir G. P. Thomson, LL.D., M.A., F.R.S. (The Master of Corpus Christi); The Rev. H. W. Montefiore (Dean of Caius College); Rev. J. S. Bezzant, B.D. (Dean of St. John's College); Mr. R. E. Macpherson, M.A. (First Bursar of King's College); Mr. R. N. Gooderson, M.A. (Secretary of the Faculty of Law); Professor J. R. N. Stone, C.B.E., M.A., P. D. Leake Professor of Finance and Accounting in the University of Cambridge; Mr. J. G. W. Davies, O.B.E., M.A. (Secretary, University Appointments Board); Dr. W. G. Humphrey, M.A., D.Phil. (Headmaster of The Leys School); Miss R. Noel Small (Steward of Caius College); Mr. A. A. Garrett, M.B.E., M.A.; Mr. R. J. L. Kingsford, M.A. (Secretary of the Cambridge University Press); Mr. K. E. Berrill, M.A.; Mr. A. Silberston, M.A.; Mr. Brooke Crutchley, M.A. and Mr. H. Major Allen, Barrister-at-Law.

The members of the Society who attended the course were: Mr. Bertram Nelson* (President), Liverpool; Sir Richard Yeabsley, C.B.E.,* (Vice-President), London; Mr. Edward Baldry, London; Professor F. Sewell Bray,* London; Mr. W. F. Edwards,* London; Mr. J. S. Heaton, Keighley; Mr. J. A. Jackson,* London; Mr. H. L. Layton, London; Mr.

C. Yates Lloyd, Manchester; Mr. S. L. Pleasance, London; Mr. W. G. A. Russell,* Birmingham, Chairman of the Course Committee (members of the Council of the Society).

Mr. H. T. Adams, Northampton; Mr. J. Astle, Leeds; Mr. G. D. Atkinson, Poole; Mr. P. G. Barnett, Eastbourne; Mr. R. S. Baskin, Dublin; Mr. S. B. Benbow, Birmingham; Mr. L. R. Biggs, Harrow; Mr. B. R. Blackie, Seaton; Mr. W. A. H. Blinkhorn, London; Sq. Ldr. G. Broadhurst, Singapore; Mr. J. H. Brown, Hexham; Mr. J. V. Burton, Ipswich; Mr. S. J. Careless, Birmingham; Mr. D. R. Carston, Cardiff; Mr. W. F. C. Clark, London; Mr. A. J. Cooke, London; Mr. E. A. Cookson, Kidderminster; Mr. P. W. Creedy, Tavistock; Mr. R. W. Cross, Southampton; Mr. P. E. Crowe, Otley; Mr. R. Crumpton, Kidderminster; Mr. G. H. Cutts, Leicester; Mr. A. F. Dawes, Birmingham; Mr. S. Dent, Stockport; Mr. J. K. Douglas, Liverpool; Mr. S. G. Dowden, Bournemouth; Mr. P. H. Dunn, London; Mr. J. A. C. Evason, Liverpool; Mr. L. F. Fairchild, Bolton; Mr. K. N. Field, Leeds; Mr. D. L. Fletcher, Sheffield; Mr. R. Fogg, London; Mr. K. Foley, Matlock; Mr. T. G. Forester, London; Mr. L. A. W. Franklin, London; Mr. H. G. French, London; Mr. F. W. Frodsham, Liverpool; Mr. E. Frye, Dagenham; Mr. B. H. Fuller, Maidstone; Mr. F. L. Gardiner, Scarborough; Mr. C. S. Garraway, Sheffield; Mr. A. A. Garrett, London; Mr. A. C. Glennerster, Letchworth; Mr. D. C. Glover, London; Mr. K. F. Gordon, Maidstone; Mr. H. K. Greaves, Swansea; Mr. E. B. Greet, London; Mr. S. V. Gregory, Birmingham; Mr. J. E. L. Griffith, Maidenhead; Mr. A. A. Grimwade, London; Mr. A. H. Hall, Coventry; Mr. W. F. Harris, Dagenham; Mr. H. A. L. Hart, Whitton; Mr. S. Hastings, Halifax; Mr. R. B. Heaton, Penmaenmawr; Mr. W. H. Hill, Manchester; Mr. P. A. Hooper, London; Mr. H. Houghton, Stockport; Mr. J. M. Hubbard, Leicester; Mr. J. E. Ibbotson, Darlington; Mr. K. W. Jones, Ilford; Mr. W. Judge, London; Mr. A. W. Kearsley, London; Mr. F. W. E. King, London; Mr. G. Kingsmill, Swindon; Mr. B. C. Kinsey, Derby; Mr. N. Kirkman, Leeds; Mr. R. G. Kirkpatrick, London; Mr. H. Murray Lepper, Northampton; Mr. J. P. Maginn, Dublin; Mr. H. Marriner, Leeds; Mr. T. C. Maysmoor-Gee, Northampton; Mr. D. McMichael, Leeds; Mr. C. Millington, Birmingham; Mr. W. G. Milton, Pinner; Mr. J. F. Mitchell, Widnes; Mr. W. E. Moore, Sheffield; Mr. J. H. Nellist, London; Mr. J. D. Nightingirl, London; Mr. J. N. O'Connor, Manchester; Mr. H. D. Orange, Ilford; Mr. D. H. Parker, Lon-

don; Mr. J. T. Paxton, Birmingham; Mr. E. Pearce, Cardiff; Mr. D. C. Pegge, Manchester; Mr. E. W. Penn, Brazil; Mr. J. J. Penny, Leeds; Mr. E. B. Piggott, Newcastle under Lyme; Mr. P. K. Pitt, Swindon; Mr. J. A. Plumptre, London; Mr. J. G. Powell, Swansea; Mr. F. S. Ralphs, Stone; Mr. H. Reid, Scunthorpe; Mr. R. R. Renville, Reading; Mr. G. M. Richards, London; Mr. C. R. Riddington, Leicester; Mr. T. G. Rimington, Leicester; Mr. M. W. Rosser, Swansea; Mr. B. A. Schanschieff, Northampton; Mr. J. P. B. Scriven, London; Mr. J. Silver, Swansea; Mr. A. C. Simmonds, London; Mr. R. Simpson, Leeds; Mr. D. Sirkin, Leicester; Mr. H. Gordon Smith, London; Mr. S. Snowball, Leeds; Mr. W. J. Soper, London; Mr. J. E. Spoor, Newcastle upon Tyne; Mr. J. E. Squires, Cambridge; Mr. K. R. Stanley, Lancaster; Mr. S. C. Stephens, London; Mr. P. V. Stevenson, Liverpool; Mr. D. W. Stirling, Birmingham; Mr. G. W. Storr, Otley; Mrs. G. L. Tangye, London; Mr. C. W. Taylor, Middlesbrough; Mr. R. H. Taylor, Bury St. Edmunds; Mr. A. E. Thebridge, Birmingham; Mr. J. Thornton, Lancaster; Mr. K. J. Trenchard, Seaton; Mr. L. R. Turner, Chesterfield; Mr. A. H. Vaines, London; Mr. E. J. Wade, London; Mr. E. J. Waldron, Southampton; Mr. J. W. Walkden, Northampton; Mr. A. E. S. H. Walter, Leicester; Mr. T. Walton, Middlesbrough; Mr. W. W. Ward, London; Mr. C. Wheatley, Birmingham; Mr. G. D. Whipp, Accrington; Mr. C. J. F. Wilkinson, London; Mr. J. Wilkinson, Newcastle upon Tyne; Mr. H. Williams, Caerphilly; Mr. J. J. Williamson, London; Mr. H. E. Wright-Anderson, London; Mr. M. H. Young, London.

Golf Meeting

A MOST ENJOYABLE and successful meeting, attended by forty-two members and nineteen guests, was held at the Moor Park Golf Club on September 15. The meeting was so successful that it is hoped to arrange additional meetings in future years.

Prizes, which were presented by the President of the Society, were won by the following players: Nicholson Trophy, J. F. Laing (Berkhamstead) 84-16=68; runner-up, E. K. Govett (Parkstone), 80-8=72; best scratch score, E. K. Govett, 80; Guests' prize, R. Williams (Wellingborough), 88-18=70; Two-ball Bogey Competition, F. C. Hounsfield (London) and R. Hill (London) (13)-3 down; runners-up, C. A. Spencer (Kettering) and B. H. Fillingham (Kettering), (10)-4 down.

District Societies

Hull

THE ANNUAL GENERAL MEETING was held on August 15. The President, Mr. R. L. Davy, welcomed newly-qualified members.

The report and accounts were adopted, and the retiring members of the Committee

*Member of the Course Committee.



MR. H. S. KENNINGTON, F.S.A.A.

Mr. Harold S. Kennington has been elected President of the Hull and District Society, having been a member of the Committee for the past nine years. He qualified in 1924.

Mr. Kennington is the chairman and joint managing director of Hollis Bros. Ltd., of Hull, London and Leicester, and of other companies. He is a trustee and immediate past chairman of the Board of Management of the Trustee Savings Bank operating in the Hull and Grimsby areas and for many years has been Chairman of the Hull and District Industrial Committee of the National Savings Movement.

were re-elected. Mr. F. W. Moss was re-appointed auditor.

At a subsequent meeting of the Committee, Mr. H. S. Kennington was elected President, Mr. F. L. Gardiner senior Vice-President, and Mr. G. M. Mowforth junior Vice-President. Mr. A. Jarratt, Mr. R. T. Addy, and Mr. G. M. Mowforth were re-elected Honorary Secretary, Honorary Treasurer and Honorary Librarian respectively. Mr. A. Macdonald was elected to the Committee to fill the vacancy caused by the election of Mr. Mowforth as Vice-President.

Annual Report

THE MEMBERSHIP OF 352 includes 166 seniors and 186 students.

A most successful dinner was held in February. Monthly luncheon meetings have been fairly well supported.

The District Society records its pleasure at the conferment of full university status on the former University College of Hull. Members contributed liberally to an appeal fund sponsored by the Council of the university.

The Students' Section held eleven meetings, including one mock High Court case

arranged by the Hull Professional Associations' Co-ordinating Committee. That Committee's fifth annual dance was again very successful.

The North Lincolnshire Region held meetings in conjunction with other professional organisations.

The Committee congratulates fifteen candidates who were successful in the Final Examination and thirteen who passed the Intermediate. Mr. R. Carter was awarded Honours in the Intermediate.

Yorkshire



MR. J. J. PENNY, F.S.A.A.

Mr. John Jackson Penny, the new President of the Yorkshire District Society of Incorporated Accountants, has been a partner in the firm of Pickard, Penny & Co., Incorporated Accountants, Leeds, since 1948.

After serving in World War I, he was articled to the late Mr. G. W. Milnes, F.S.A.A., of Messrs. Pickard, Crosland & Co. He qualified in 1924 and started public practice in 1929. During World War II, he served for six and a half years with the Royal Army Pay Corps, attaining the rank of Lieutenant-Colonel.

Mr. Penny is a member of the Leeds Regional Hospital Board Management Committee (Group B) and of the Leeds Area Education Advisory Board.

London

WE REGRET THAT there was a misprint on page 321 of our August issue. At the Committee meeting which followed the annual general meeting of the London and District Society, Mr. L. Quinton, B.A., B.Sc., A.S.A.A., was re-elected Honorary Treasurer (and not Honorary Auditor as erroneously stated). The Honorary Auditor is Mr. C. B. Hewitt, Incorporated Accountant, who was re-elected as stated in the report of the annual meeting.

Leicestershire and Northamptonshire



MR. D. SIRKIN, F.S.A.A., F.S.S.

Mr. David Sirkin has been elected President of the Leicestershire and Northamptonshire District Society of Incorporated Accountants.

He qualified as an Incorporated Accountant in 1924 and has been a partner in Messrs. Baker and Co., Incorporated Accountants, of Leicester and elsewhere, since 1925, and in Messrs. Barrowcliff, Russell, Baker and Co., London, since 1954. He has been a member of the Leicester District Society Committee since its formation in 1929, and is Chairman of the Leicester Research Sub-Committee and a member of the Lecture and Social Committees.

Mr. Sirkin is on the Boards of a number of companies. He is also a governor of the Alderman Newton Boys' and Girls' Grammar Schools, a member of the Leicester Evening Institutes' Panels, and Vice-Chairman of the Industrial Applications Section of the Leicester District of the Royal Statistical Society. His hobbies include cricket and golf.

North Staffordshire

Annual Report

THE MEMBERSHIP IS: 21 Fellows, 72 Associates, 77 students—total 170.

The Students' Section held five meetings.

Congratulations are extended to the students successful in the 1954-55 examinations. Five passed the Final and two the Intermediate.

South of England

THE FOLLOWING OFFICERS have been elected: President, Mr. B. A. Apps, A.S.A.A.; Vice-President, Mr. G. L. Ratcliffe, F.S.A.A.; Honorary Treasurer, Mr. H. E. Marshall, F.S.A.A.; Honorary Secretary, Mr. L. A. Jarvis, A.S.A.A.; Honorary Auditor, Mr. I. H. Slater, F.S.A.A.



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Events of the Month

October 1.—Leeds: "Intestacy and Legal Apportionments," by Mr. J. F. Myers, M.A., LL.B. 2 Basinghall Square, at 10.30 a.m.

October 3.—Birmingham: Dinner Dance. Botanical Gardens, Edgbaston.
Cork: "Consolidated Accounts," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Students' meeting. Imperial Hotel, at 6.30 p.m.
London: "Insolvency—I," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

October 4.—Liverpool: "Preparation of an Income Tax Computation," by Mr. D. J. Hackston, Inspector of Taxes. Incorporated Accountants' Hall, 25 Fenwick Street, at 6 p.m.
Sheffield: District Society annual meeting. Grand Hotel, at 6.30 p.m.

October 5.—Bradford: "Elements of English Law," by Mr. J. Pickles, B.A., LL.B. Liberal Club, Bank Street, at 6.15 p.m.
Hull: Luncheon meeting. Regal Room, Ferensway, at 1.0 p.m.

October 7.—Birmingham: "The Auditor's Duty Regarding Stock in Trade," by Mr. K. S. Carmichael, A.C.A. Law Library, Temple Street, at 6.15 p.m.
Bristol: "Auditing Case Law," by Mr. R. Glynn Williams, F.C.A., F.T.I.I. The Royal Hotel, College Green, at 6.30 p.m.
Manchester: "Elements of English Law," by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, Deansgate, at 6 p.m.
Swansea: "The Accountancy Profession," by Mr. H. W. Vaughan, F.C.A. Central Library, at 7 p.m.

October 8.—Leeds: "Schedule 'D' Partnership Assessments," by Mr. J. S. Heaton, F.S.A.A. 2 Basinghall Square, at 10.30 a.m.
Liverpool: "Preparation of Income Tax Computations," by Mr. D. Hackston, H.M. Inspector of Taxes. For Intermediate Students. Incorporated Accountants' Hall, at 10.30 a.m.

October 10.—Coventry: "Cheques and Bills of Exchange," by Mr. G. H. I. Thomas, Midland Bank Ltd. Hare and Squirrel Hotel, Old Cheylesmore, at 6.15 p.m.
London: "Insolvency—II," by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Middlesbrough: "Group Accounts," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A. Café Royal, Linthorpe Road, at 6.30 p.m.

October 11.—Birmingham: Luncheon meeting. Imperial Hotel, Temple Street, at 1.0 p.m.
Dudley: "How Much," by Professor Hugh Goitein. The Dudley and Staffordshire Technical College, The Broadway, at 7 p.m.
London: "Problems of Social Accounting." Stamp-Martin seminar opened by Mr. D. K.

Burdett. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Newcastle upon Tyne: "Group Accounts," by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A. The Library, 52 Grainger Street, at 6.15 p.m.

October 12.—London: Taxation group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Shrewsbury: "Group Accounts," by Mr. F. H. Hyam, A.S.A.A. The Raven Hotel, at 6.30 p.m.

October 13.—Wolverhampton: "Investigation from the point of view of Purchasing a Business," by Mr. A. C. Simmonds, F.S.A.A. Star and Garter Hotel, at 6.15 p.m.

October 14.—Birmingham: "Form and Contents of Published Accounts," by Mr. R. Glynn Williams, F.C.A., F.T.I.I. Law Library, Temple Street, at 6.15 p.m.
Glasgow: "Electronic Accounting and Computers," by Mr. Stuart MacRae, B.COM., A.S.A.A. Students' meeting. Scottish College of Commerce, at 6.15 p.m.
Gloucester: "The Executor's Year," by Mr. J. S. Capell. Gloucester Technical College, at 6.30 p.m.
Leicester: "A Case Study in Standard Costing," by Mr. P. N. Wallis, A.S.A.A., A.C.I.S. Students' meeting. Victoria Hotel, Granby Street, at 6 p.m.

Manchester: "Elements of English Law," by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Norwich: "Elements of Law," by Mr. R. D. Penfold. Royal Hotel, at 7 p.m.
Sheffield: "Accounting Variances," by Mr. F. C. de Paula, T.D., A.C.A. Grand Hotel, at 6 p.m.

October 14 to 16.—Leeds: Week-end revision course.

October 15.—Liverpool: "A Mock Company Meeting," by Mr. E. G. Hardman, F.C.I.S. Students' meeting. Incorporated Accountants' Hall, at 10.30 a.m.

October 17.—London: "The Bank Rate and the Credit Squeeze," by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Luton: "General Financial Knowledge," by Mr. R. W. Moon, B.LITT., A.C.A. Students' meeting. George Hotel, at 6.15 p.m.
Newton Abbot: "Company Accounts in Review, Criticism and Suggestion," by Mr. F. A. Roberts, A.S.A.A. Courtenay Restaurant, Courtenay Street, at 6 p.m.

October 18.—Truro: "Company Accounts in Review, Criticism and Suggestion," by Mr. F. A. Roberts, A.S.A.A. Mansion House, Princes Street, at 6 p.m.

October 19.—Plymouth: "Company Accounts in Review, Criticism and Suggestion," by Mr. F. A. Roberts, A.S.A.A. Law Chambers, Princess Square, at 6 p.m.

October 20.—Newcastle upon Tyne: "Partnership Tax," by Mr. F. Stuart, A.S.A.A.

The Library, 52 Grainger Street, at 6.15 p.m.
Newport, Mon.: Discussion group. Wales Gas Board Office, at 7 p.m.
Swindon: "Income Tax," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Town Hall, at 6 p.m.

October 21.—Birmingham: "Public Speaking," by Mr. W. Munton, F.L.C.M. Law Library, Temple Street, at 6.15 p.m.
Bradford: Annual dinner dance.
Hull: "Costing," by Mr. E. E. Webster, B.SC.(ECON.), F.C.W.A. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.
Manchester: Members' discussion meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Sheffield: "Profits Tax" and "Schedule D Computations," by Mr. R. Glynn Williams, F.C.A., F.T.I.I. Grand Hotel, at 4 p.m.
Stoke-on-Trent: Dinner Dance. North Stafford Hotel.
Worcester: "Auditing," by Mr. A. C. Simmonds, F.S.A.A. Crown Hotel, Broad Street, at 6.30 p.m.

October 22.—Liverpool: "A Mock Company Meeting," by Mr. E. G. Hardman, F.C.I.S. Students' meeting. Incorporated Accountants' Hall, at 10.30 a.m.

October 24.—Coventry: "Loss of Profits Insurance," by Mr. R. J. Walshe. Hare and Squirrel Hotel, Old Cheylesmore, at 6.15 p.m.
London: "Profits Tax—I," by Mr. L. A. Hall, A.C.A., A.S.A.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

October 25.—Belfast: Dinner. Grand Central Hotel, at 7.30 p.m.
London: "The Company Fraud Department," by Detective Chief Inspector Francis Lea. Luncheon Club meeting. Connaught Rooms, at 12.45 for 1 p.m.

October 26.—London: Management group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Swansea: "Legal Implications arising from Employer-Employee Relationships," by Mr. Alun T. Davies, Barrister-at-Law. Mackworth Hotel, at 6.45 p.m.

October 27.—Bradford: "Company Liquidations and Winding Up," by Mr. G. C. Barber, LL.B. Liberal Club, Bank Street, at 6.15 p.m.

October 28.—Belfast: Lecture by a representative of Powers-Samas Accounting Machines (Sales) Ltd. Students' meeting. Kerr Room, Kensington Hotel, at 7.30 p.m.
Birmingham: "The Consolidation of Accounts," by Mr. P. E. Harris, A.S.A.A. Law Library, Temple Street, at 6.15 p.m.
Glasgow: "Company Law," by Mr. W. G. Craig, M.A., LL.B., F.C.C.S., Solicitor. Students' meeting. Scottish College of Commerce, at 6.15 p.m.
Gloucester: "Profits Tax," by Mr. L. A. Hall, A.C.A., A.S.A.A. Gloucester Technical College, at 6.30 p.m.
Manchester: "Elements of English Law," by Mr. J. Stewart Oakes, Barrister-at-Law.

Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Preston: Dinner. Bull and Royal Hotel.

October 29.—*Liverpool:* "Preparation of an Estate Duty Account," by Mr. C. O. Reay, F.C.A. For Intermediate students. Incorporated Accountants' Hall, at 10.30 a.m.

October 31.—*London:* "Profits Tax—II," by Mr. L. A. Hall, A.C.A., A.S.A.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

November 2.—*Bradford:* "Executorship Accounts," by Mr. R. Glynne Williams, F.C.A. Liberal Club, Bank Street, at 6.15 p.m.

London: "Operational Research in Accounting." Stamp-Martin seminar opened by Mr. A. T. Wilford, Director of Research, London Transport Executive. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

Swansea: "Profits Tax," by Mr. V. S. Hockley, B.COM., B.A., A.A.C.C.A. Y.M.C.A., St. Helen's Road, at 6.45 p.m.

November 3.—*Bristol:* "Costing—Labour, Materials and Overheads," by Mr. V. S. Hockley, B.COM., C.A. The Royal Hotel, College Green, at 6.30 p.m.

Hull: "Income Tax Losses," by Mr. J. W. Walkden, A.C.A., A.S.A.A. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.

Newcastle upon Tyne: "Machine Accounting," by a representative of Burroughs Adding Machine Ltd. The Library, 52 Grainger Street, at 6.15 p.m.

Wolverhampton: Discussion group. Offices of Messrs. E. T. Brown & Co., at 6.15 p.m.

November 4.—*Birmingham:* "The Marginal Costing Technique and its Uses," by Mr. P. C. P. Ford, B.COM., A.C.W.A. Law Library, Temple Street, at 6.15 p.m.

Leeds: Dinner. Queen's Hotel.

Leicester: "Legal Aspects of Company Formation," by Mr. D. A. Godwin Sarre, M.A., Barrister-at-Law. Students' meeting. Victoria Hotel, Granby Street, at 6 p.m.

Manchester: "Elements of English Law," by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

November 5.—*Liverpool:* "Company Accounts in Liquidations, Amalgamations and Reconstructions," by Mr. A. G. Hirst, A.C.A. For Intermediate students. Incorporated Accountants' Hall, 25 Fenwick Street, at 10.30 a.m.

Membership

THE FOLLOWING PROMOTIONS in, and additions to, the membership of the Society have been completed during the period June 8 to September 2, 1955.

Associates to Fellows

BRAMWELL, Sidney Edward (*Rubery & Co.*), Birmingham. CARTER, John Francis, Lister & Co. Ltd., Bradford. CHICK, Gordon Lewis (*G. L. Chick & Co.*), Cardiff.

CRUMPTON, Ronald (*Mumford, Haywood & Crumpton*), Kidderminster. FRASER, Hugh Victor (*Derry, Ellman-Brown & Fraser*), Salisbury. S.R. GILBERT, Norris (*Norris Gilbert & Co.*), London. HUBER, Peter Eric (*Martin, Farlow & Co.*), London. ISACKE, Jeffrey Wyatt (*Rubery & Co.*), Birmingham. NUTTALL, John Windle (*Harold J. Prestwich & Co.*), Blackpool. O'CONNELL, Brian Woodall Skene (*Deloitte, Plender, Griffiths, Annan & Co.*), Salisbury. S.R. PEARSON, John Reginald (*French, Foster & Co.*), Bath. RIMINGTON, Thomas Geoffrey (*Baker & Co.*), Leicester. ROSE, Daniel (*Daniel Rose & Co.*), London. SCHANSCHIEFF, Brian Alexander (*Baker & Co.*), Leicester. SURMAN, Charles Edward (*Eric Phillips & Co.*), London. THORNLEY, Dennis Anthony (*Martin, Farlow & Co.*), London. TILLING, Charles, London. VENTER, Thomas Kenneth (*T. K. Venter & Co.*), Hull.

Associates

ADDISON, Robert John, with Deloitte, Plender, Griffiths & Co., London. AINSCOUGH, Harold Frederick James, with Bailey, Page & Co., Liverpool. ALLEN, Kenneth Charles, with Neville, Hovey, Gardner & Co., Hove. ALLISON, Colin, with Price Waterhouse & Co., Stockholm. ANTHONY, Patrick Raymond, with E. P. Grace, Waterford. ASHTON, Michael, with R. H. March, Son & Co., Cardiff. ASTILL, Peter William, with Beverley, Simpson & Co., Harrow. ATKINS, Ronald, with Martin & Stone, Manchester. AYTON, Ronald Benjamin, with Harris, Funnell & Co., London. BAKER, Gilbert Joseph, with Henry Chapman, Son & Co., South Shields. BAINES, Sidney (*T. E. Lowe & Co.*), Wolverhampton. BALA, Ted Joseph, with Garvin, Cantor & Co., London. BALDWIN, Leslie Henry (*C. Percy Barrowcliff & Co.*), Newcastle upon Tyne. BANKS, Derek Arthur, with Graves, Causer & Co., London. BARNACLE, William Edward, with Wells, Ellis & Co., Nottingham. BARROW, Frederick, with Lomax & King, Manchester. BATCOCK, Maurice Bevan, formerly County Borough Treasurer's Department, Swansea. BELLMAN, John Francis (*Thian & Bellman*), Nairobi, Kenya. BENBOW, David Thomas, with Deloitte, Plender, Griffiths & Co., London. BERRY, Derek, with Shipley, Blackburn, Sutton & Co., London. BERRY, Darrol Brian, with H. G. Ellis, Kennewell & Co., Nottingham. BIRTWISTLE, James, with P. F. Pierce & Co., Accrington. BLACKSHAW, Keith Fielden, with Wm. Heppard & Sons, Blackburn. BOLE, Samuel Alfred, with Hill, Vellacott & Co., London. BONSER, David William, with Sharp, Betts & Co., Nottingham. BOTHAMLEY, Kenneth Frank, with Bedell & Blair, Manchester. BOTTOMS, Clifford Frederick Douglas, with Cassleton Elliott & Co., London. BOWLES, Sidney Theodore, with F. D. Hambling, Norwich. BRADSTREET, Robert Leonard, with Wilson, Davis & Co., London. BRAMLEY, Colin, with F. L. Gardiner & Co., Scarborough. BROOKES, Leonard Edward, with Bicker-Jones, Piner & Co., London. BROWN, Donald Barry, with Singleton,

Carter & Co., Nottingham. BURKE, Jeffrey, with Barton, Mayhew & Co., London. BURNLEY, Lionel Wilfred, B.COM., with A. J. Ingram & Co., Sunderland. BURNS, Neil, Borough Treasurer's Department, Bury. CAPON, Stuart William, formerly County Treasurer's Department, Reading. CASBOLT, George Edward, with Albert Goodman & Co., London. CATLIN, Alan George, with S. & S. A. Holyland, Leicester. CHAKRABORTY, Bhupesh Ranjan, formerly with P. K. Ghosh & Co., Calcutta. CHAPLIN, Brian Alfred, with Crane, Crinkley & Co., Dorking. CHARLES, Michael David, with W. T. Walton & Son, Liverpool. CHEANEY, Bryan, with Hodge & Baxter, Kettering. CHERRETT, James Masterman, Deputy City Treasurer, Winchester. CHEW, Lawrence Richard, with Cooper Brothers & Co., Liverpool. CHILVERS, Frederick James, with Forrestal & Co., Newcastle upon Tyne. CLARK, Dennis, Reading. CLARKE, William Sugden, with Weston, Whalley & Jackson, Skipton. CLARKSON, Donald, with Thomas Coombs & Son, Leeds. COHEN, Laurence, with J. L. Lichman & Co., London. COHEN, Norman Alan, B.A., with Maurice Thei, Adler & Co., London. COOKE, Victor Wallis, with Chalmers, Wade & Co., Weymouth. COSHAM, Derek George Arthur, with Edmonds & Co., Petersfield. COTTINGHAM, Barrie, with Carnall, Slater & Co., Sheffield. CRANE, Peter Edward, with A. T. Chenhalls & Co., London. CRAWFORD, Duncan Stalker, with Robert Fraser, Glasgow. CROFT, Frederick, with Robson, Laidler & Co., Newcastle upon Tyne. CROME, Dennis Victor, with H. P. Gould & Son, Norwich. CROMPTON, Donald, with A. Cropp Hawkins & Co., Stoke-on-Trent. CUBITT, Reginald Henry Ralph, with Fuller, Wise, Fisher & Co., London. DALAL, Ajit Kumar Das, formerly with S. K. Ghosh & Co., Calcutta. DAVIES, Bernard Colson, with Deloitte, Plender, Griffiths & Co., London. DENNISON, John William Alexander, with Whinney, Smith & Whinney, London. DOE, Peter Henry, with Norfolk, Pawsey & Co., Clacton-on-Sea. DORAN, John Norman, with Ware, Ward & Co., Torquay. DREW, Barry Gordon, with Davis, Kellie & Co., Fleet. DUNMALL, Kenneth John, with Deloitte, Plender, Griffiths & Co., London. EALES, Christopher Owen Staniford, formerly with Malpas, Simmons & Co., Bournemouth. EASTON, Peter Francis, with Pawley & Malyon, London. EDLER, Henry James, with Sewell, Hutchinson & Co., London. EDWARDS, John Saer, with Alfred E. Pugh & Son, Newport, Mon. ELLACOTT, John Gallon, with Deloitte, Plender, Griffiths & Co., London. ENGLAND, Jack Edward, Audit Department, C.W.S., Bristol. EVANS, John Frederick Hester, Borough Treasurer's Department, Wandsworth, London. EVANS, Kenneth, with Jno. Brierley & Son, Oldham. FARNHAM, Lawrence, County Treasurer's Department, Hereford. FORSTER, David Anthony, with K. H. Wrigley & Co., Birkenhead. FOX, Henry John, with Luff, Smith & Co., London. FULLER, Leon, Edward Em. Sander & Co., London.

GADD, Ernest George, with Blakemore, Elgar & Co., London. GARDINER, Michael Henry, with W. B. Keen & Co., London. GARDNER, Alan Frank, with Westlake, Clark & Co., Southampton. GARNER, Maurice Edwin, with Thomas Forster & Co., Manchester. GHERDA, Kersi Minocher, B.COM., formerly with D. H. Kabraji & Co., Bombay. GINZ, Ernest David, with Auker, Horsfield & Longbottom, Bradford. GODDARD, Ronald Arthur, with Smallfield, Fitzhugh, Tillett & Co., London. GOLDING, Herbert William, with Luckin & Sheldrake, Chelmsford. GOODMAN, Harry Leonard, with Limebeer & Co., London. GRAHAM, Malcolm Stuart, with Jones, Robathan, Thompson & Co., Cardiff. GREEN, Sidney Ernest, with Blackburn & Wilton, London. GROSE, Brian Crawford, with Pawley & Malyon, London. GROVES, Patricia Elsie, with Morgan, Back & Co., London. HADDON, Jack Albert, with Keens, Shay, Keens & Co., Bedford. HAGGAR, Anthony James, with Allen, Baldry, Holman & Best, London. HAMMENT, Denis Ernest, with Stanley Gorrie, Whitson & Co., London. HARKER, Godfrey Howard, with Smith & Hayward, Bradford. HARRIS, Brian, with Bishop, Fleming & Co., Torquay. HARRIS, Peter Rowland, with Edwards & Edwards, Dorchester. HARRISON, Brian George, with Allan, Charlesworth & Co., Cambridge. HARVEY, Eric Leslie, with Blakemore, Elgar & Co., London. HAWKINS, Robert Henry Dennis, with C. Herbert Smith & Russell, Birmingham. HAYES, Geoffrey Michael George, with West, Wake, Price & Co., London. HEAD, Robert Harold, with Moore, Stephens & Co., London. HEATH, Richard Barham, with Bryden, Johnson & Co., London. HEAVER, Richard Stanley, with Russell, Fleming, Boys & Co., Hove. HENRY, Charles Cecil (*Harold F. Bell & Co.*), Coleraine. HERRING, Robin Greville Warwick, with Alexander, MacLennan, Trundell & Co., Nairobi. HIAM, Edward Guy Searle, with Carlill, Burkinshaw & Ferguson, Hull. HIBBITT, Raymond Arthur, with Mellors, Basden & Co., London. HICKEY, James Arthur, with Herbert Pepper & Rudland, London. HICKS, Thomas Henry, with Victor Walton & Co., Leeds. HIGGS, Walter Albert Thomas (*H. A. Merchant & Co.*), London. HOARE, Eric Angus, with Peat, Marwick, Mitchell & Co., London. HOCKEY, Ronald Christopher, with Chas. E. Rollinson, Newport, Mon. HODGES, Cecil William, Oversea Audit Department, Trinidad. HOLLAND, William, with W. Bolton & Co., Manchester. HORNE, Reginald Jeffrey, with J. Paterson Brodie & Son, Stoke-on-Trent. HUTTON, William, with Victor Walton & Co., Leeds. IVEY, George Alfred Cecil, Borough Treasurer's Department, Fulham, London. JACKSON, Kenneth, with T. G. Shuttleworth & Son, Sheffield. JENNINGS, Peter, with B. E. Brayshaw, Otley. JOHNSON, Brian George, with Amherst & Shapland, Minehead. JOHNSTON, Michael Thomas, with J. H. Whyte, South Shields. JONES, Emyr Gwyn, with W. L. Jackson & Hes-

keth, Stoke-on-Trent. JONES, John James, with Binder, Hamlyn & Co., London. JONES, Roland Edmund, with Titus Thorpe & Ainsworth, Preston. KERR, Michael John, with Cash, Stone & Co., London. KILBURN, Jack, with Rhodes, Stringer & Co., Bradford. KILLEEN, Roy Edward, formerly with Slater, Dominy & Swann, Cambridge. KRAUSE, David Michael, with Rushworth, Ingham & Rhodes, Bradford. LAWRENCE, John Richard, Borough Treasurer's Department, Darlington. LEACH, Dennis Kent, with F. E. Hawkes & Co., Luton. LEE, Peter, with Johnson, Murkett & Hurst, Ashby-de-la-Zouch. LEIGH, Alexander, with Alfred Nixon, Son & Turner, Manchester. LEIGHTON, Douglas, Borough Treasurer's Department, South Shields. LEONARD, John Aloysius, with E. L. O'Dea & Co., Boyle. LE PREVOST, Roy John, with Black, Geoghegan & Till, Guernsey. LINDSAY, Gilbert Blair, City Treasurer's Department, Leeds. LOTHIAN, Denis Gordon Thomas, with Knox, Cropper & Co., London. LUBELL, Ronald, with Mark Banus, Pollard & Co., London. MCELROY, William Patrick, with Cooper & Kenny, Dublin. MCINTOSH, James Andrew, Town Chamberlain's Office, Stirling. MAJUMDAR, Samarendra, B.COM., with William Pickles, Manchester. MALTMAN, Peter McIntosh, with Bowman, Grimshaw & Co., Blackpool. MANNING, Roy George Clarke, with Brown, Peet & Tilly, London. MARSH, Hubert, with R. J. Weston & Co., Derby. MARSHALL, Peter Izod, with Peat, Marwick, Mitchell & Co., Manchester. MARSHALL, Stewart Anthony, B.A. (COM.), with Feakins, English & Co., Croydon. MEAD, Michael Frederick, with E. T. Mackrill & Co., Harrow. MIDGLEY, Arthur Leslie, with Tranmer, Raine & Jarratt, Hull. MILLER, Harold Williamson, with Deloitte, Plender, Griffiths & Co., Cardiff. MILTON, Derek John, with Leonard Curtis & Co., London. MITCHELL, William, with Whitehill Marsh Jackson & Co., Birmingham. MITCHELSON, George Ernest, with Alfred G. Deacon & Co., Manchester. MORRIS, Anthony, with Peat, Marwick, Mitchell & Co., Middlesbrough. MORRIS, Bernard James (*Macleod, Morris & Co.*), Chatham. MORRIS, David Hugh, with Wood, Bradfield & Co., Neath, Glam. MUNDAY, Eric Alec, with Blakemore, Elgar & Co., London. NAYLOR, Colin, with Bartfield & Co., Leeds. NEWBY, Leslie John, with Frazer, Whiting & Co., London. NIVEN, Ian, with Bartfield & Co., Leeds. NORTHAGE, Derek Henry, with Kingston, Smith & Co., London. NOTT, Christopher Roy, with Cash, Stone & Co., London. O'DWYER, Harry Joseph, with Cooper & Kenny, Dublin. OOSTHUIZEN, Okker Andries, with Howard Pim & Hardy, Johannesburg. PALMER, Lewin Bernard, with West, Wake, Price & Co., London. PARRY, Peter, with Duart-Smith, Baker & Price, Gloucester. PATERSON, George, Department of Health, Edinburgh. PATTON, Bernard, formerly with Maurice Thei, Adler & Co., London. PAYNE, Richard William Newth (*W. H. Payne &*

Co.), London. PHILLIPS, Malcolm Alister, with Ross, Jones & Co., Cardiff. PICK, Trevor Gordon, with Cooper Brothers & Co., Sheffield. PIMM, Dennis Frank, with Slater, Chapman & Cooke, London. PLUMBE, Kenneth Collingwood (*Derry & Lewis*), Salisbury. S.R. POLLARD, Geoffrey Samuel, City Treasurer's Department, Coventry. POTTER, William Sydney, with R. Bryn Owen, Derby. PRATT, Michael Antony, with Lescher, Stephens & Co., London. PRITCHARD, Reginald Alfred, with Noon & Elsworth, Liverpool. RATCLIFFE, David, with Walter J. Smith & Son, London. RATCLIFFE, Frank Edward, with Simpson, Wreford & Co., London. RATFORD, William Frederick, with Peat, Marwick, Mitchell & Co., London. RAY, Peter Kenneth, with Gane, Jackson, Jeffreys & Freeman, London. REDFERN, John William, with Thomas Bourne & Co., Nuneaton. REED, James John, B.A., with Slipper & Co., London. REEVE, John, with Larking, Larking & Whiting, March. RICHARDSON, James, with Edmund D. White & Sons, Liverpool. RODAWAY, Graham Mathieson, formerly with Radford, McColl & Co., Southampton. RODDIS, John Roland, formerly with Camm Metcalfe, Best & Co., Sheffield. ROMANO, Angelo Nicolino, with Allan, Charlesworth & Co., Cambridge. ROSSER, John Austin, with Davey, Bridgewater & Co., London. ROTHMAN, Algernon Patrick Francis, with D. A. Ponsford & Co., Winchester. SAMARATUNGA, Yham-path Atchchige Don Sugathadasa, B.S.C. (ECON.), with M. Britz & Co., London. SAUNDERS, Norman Stanley, with Stephenson, Smart & Co., Boston. SAVAGE, Gerald, with Gerald Classic & Co., Manchester. SCALES, Jack, with Critchley, Ward & Pigott, Oxford. SHAW, Ronald, with Dearn, Gilliat & Co., Manchester. SHEPHERD, Donald Henry, with Armitage & Norton, London. SHIPMAN, Louis Percival, with Mears, Judd & Co., London. SIDEBOTTOM, Alan, with F. Arthur Pitt & Co., Manchester. SILCOCKS, Trevor Beresford, with J. & A. W. Sully & Co., Weston-super-Mare. SMALE, John Leslie James, with Frazer, Whiting & Co., London. SMITH, Colin Thomas, with Nathaniel Duxbury, Son & Co., Blackburn. SMITH, Leslie, with Charles Comins & Co., London. SNOW, Reginald John, with Deloitte, Plender, Griffiths & Co., London. SPRATT, Harold Anthony, with Peat, Marwick, Mitchell & Co., Darlington. STAFFORD, Frank, with Thomas Hodgson & Co., Manchester. STEAD, Arthur, with Peat, Marwick, Mitchell & Co., Cleckheaton. STEPHENSON, John Trevor, with C. Percy Barrowcliff & Co., Middlesbrough. STEPHENSON, Rowland Ernest, with Malpas, Simmons & Co., Bournemouth. STEVENS, Roy, with James Barlow & Son, Bolton. STRICKLAND, James Augustine, with Purtill & Co., Dublin. SUBAIR, Hamzat Abiodun, with A. G. Gaylard, Portsmouth. SUDDABY, Gilbert Peter, with Hodgson, Harris & Co., Hull. SUMMERSKILL, James Rodney, B.COM., with J. Summerskill & Son, Liverpool. TAYLOR, Brian, with Glass & Moss, Bradford.

THOMAS, Norman Gerard, with Ross, Jones & Co., Cardiff. THOMAS, Leslie Stephen, with Edwin G. Pulsford & Co., Poole. THOMAS, Victor James, B.A., with W. E. Warrington, Northampton. THOMPSON, Eric, with Blackburns, Robson, Coates & Co., Leeds. THORN, Dennis Harold, with Garvin, Cantor & Co., London. TOMS, Eric Archibald, with J. E. P. Close & Co., Cape Town. TOWSEY, Peter Aloysius, B.COM., formerly with Lawrie, Prophet & Co., Kampala. TREMBATH, Ernest, with Dawson, Graves & Co., Liverpool. TUNBRIDGE, Stanley James, Shoreditch Borough Treasurer's Department, London. TURPIN, Harry, with Peat, Marwick, Mitchell & Co., York. UPTON, Betty Patricia, with Blake-more, Elgar & Co., London. VAN DESSEL, Jan Bernard, with Kearney, Martin & Co., Dundalk. VIDLER, Edwin Norman, with Farr, Rose & Gay, London. WALKER, Ronald George, with Barrowcliff, Russell, Baker & Co., London. WATERTON, Brian, with E. Holstead, Pontefract. WEBB, Brian Ernest, with S. J. Dudbridge & Sons, Stroud. WEBB, James Maurice, with P. H. Stone & Co., Birmingham. WEBSTER, Derek, with Walton, Watts & Co., Manchester. WHATTON, Sidney John, B.COM., with Deloitte, Plender, Griffiths & Co., London. WHEELER, Peter Baylis, with Stewart, Steyn & Co., Johannesburg. WHITE, John Charles, with M. Hutchinson & Co., Newcastle upon Tyne. WHITMAN, Roy Arthur, with Harmon Smith & Co., Hungerford. WHITTALL, Cyril, with Midwinter & Rhodes, Cirencester. WILLATS, Peter Henry, with Chalmers, Wade & Co., Yeovil. WILLSON, Stanley William, with Hackett & Oliver, Birmingham. WINT, Antony Willis, with Rhodes, Stringer & Co., Bradford. WOOD, Norman Davies, with Sharpe, Fairbrother & Co., London. WOODROW, William Harold, Borough Treasurer's Department, Scunthorpe. WORTHINGTON, David Frank, with Douglas, Low & Co., Johannesburg. WRIGLEY, Amy Christine Lawson, B.A., with Mellors, Basden & Mellors, Nottingham.

Personal Notes

Mr. George Edney, B.COM., A.S.A.A., A.I.M.T.A., has been appointed Chief Accountant to the Port of London Authority in succession to Mr. Frank Cheesman, F.S.A.A., who has retired.

Messrs. Lithgow, Nelson & Co., Incorporated Accountants, Liverpool, London and Southport, have admitted Mr. R. S. Irving, A.S.A.A., as a partner.

Mr. J. Owen, A.S.A.A., formerly Deputy Borough Treasurer of Derby, has been appointed Borough Treasurer of Tottenham.

Messrs. Bartfield & Co., Incorporated Accountants, Leeds, announce that they have taken into partnership Mr. Alex Krasner, A.S.A.A., who has been associated with them for some years.

Messrs. W. H. Payne & Co., Incorporated Accountants, London, S.W.1, announce

that Mr. M. J. Faulks, M.A., F.S.A.A., has retired from the partnership but has agreed to serve the firm as consultant. Mr. Faulks was articulated to the late Mr. W. H. Payne, F.S.A.A., and became a partner in the firm in 1908. Mr. R. W. N. Payne, B.A. (COM.), A.C.A., A.S.A.A., the son of the late Mr. S. D. Payne, F.S.A.A., has now joined the partnership.

Mr. Leonard Gill, Incorporated Accountant, has become a partner in the firm of A. E. Cripwell & Partners, Halifax Buildings, West Gate, Mansfield.

Mr. B. S. Birks, A.S.A.A., has been appointed accountant to the Farmers' Marketing and Supply Co. Ltd., London, E.C.3, and its two subsidiary companies.

Mr. T. S. Hartley, Incorporated Accountant, is no longer practising in his own name, but has become a partner in the firm of Varley, Edmondson & Co., Bradley's Chambers, Castlegate, Clitheroe, and Padiham, near Burnley.

Mr. R. W. Wensley, A.S.A.A., has been appointed secretary of Frank Mansfield & Co. Ltd., and Mansfield & Sons, Ltd., Birkenhead.

Mr. F. E. W. Swann, Incorporated Accountant, has commenced public practice at 32 Heathcoat Street, Nottingham.

The partnership of Messrs. Bowyer, Tiplady, Fordham & Co., London, E.C.2, has been dissolved. Mr. S. J. Bowyer, F.C.A., F.S.A.A., is now practising as Bowyer, Burwood & Co., at 11 Goodwin's Court, St. Martin's Lane, London, W.C.2.

Mr. F. J. Harris, Incorporated Accountant, has commenced public practice at St. Andrews, Moorland Road, Par, Cornwall.

Messrs. Halsey, Button & Perry have taken into partnership at their Johannesburg office Mr. L. R. Lambourn, A.S.A.A., C.A.(S.A.).

Mr. H. C. Fletcher, A.S.A.A., and Mr. R. T. Poole, A.S.A.A., announce that the partnership between them has been dissolved. The practice in Mullingar of Messrs. Gibson and Fletcher, Incorporated Accountants, will be continued under the same style by Mr. Fletcher alone. Mr. Poole has taken up the appointment of managing director of the Phoenix Pencil Company, Mullingar.

Removals

Mr. H. J. Wellden, Incorporated Accountant, has closed his office at Kingston-on-Thames. He is now practising at 24 High Street, Cobham, Surrey.

Mr. E. G. Hutchinson, Incorporated Accountant, has removed his office to 22 Syddall Road, Bramhall, Stockport, Cheshire.

Messrs. Brodie, Burns & Anderson, Incorporated Accountants, announce a change of address to 238 West George Street, Glasgow, C.2.

Obituary

Sir Edwin Nixon

WE RECORD WITH DEEP REGRET the death on August 19 of Sir Edwin Van-der-Vord Nixon, C.M.G., F.C.A.(AUST.), F.S.A.A. Sir Edwin was seventy-nine years of age, and he had a distinguished record over many years of advisory services to the Australian Government in the fields of accounting and taxation.

He became a member of the Society of Incorporated Accountants in 1901, and after continuing for a period in professional service he started his own practice in Melbourne in 1912. From 1925 to 1930 he also held the post of senior lecturer in accounting in the University of Melbourne. In 1932 he was appointed a member of the Royal Commission on Taxation, and in 1935 of the Royal Commission on the Monetary and Banking Systems. On the outbreak of World War II he served as chairman of the advisory accountancy panel in the Department of Supply and Development: the panel was set up to advise the Government on the control of industrial costs and profits in munitions production. Later he was appointed successively a member of the Board of Business Administration in the Department of Defence Co-ordination, Director of Finance in the Ministry of Munitions, and Treasury member of the Department of Aircraft Production. After the war he continued to advise the Treasury in taxation, while practising in the firm of Edwin V. Nixon & Partners.

APPOINTMENTS VACANT

(See also page xxv)

NIGERIAN COLLEGE OF ARTS, SCIENCE AND TECHNOLOGY

(Principal: C. A. Hart, T.D., D.Sc., Ph.D., M.L.C.E., M.I.MECH.E., F.R.I.C.S., A.M.I.STRUCT.E.)

Applications are invited for the following appointments:—

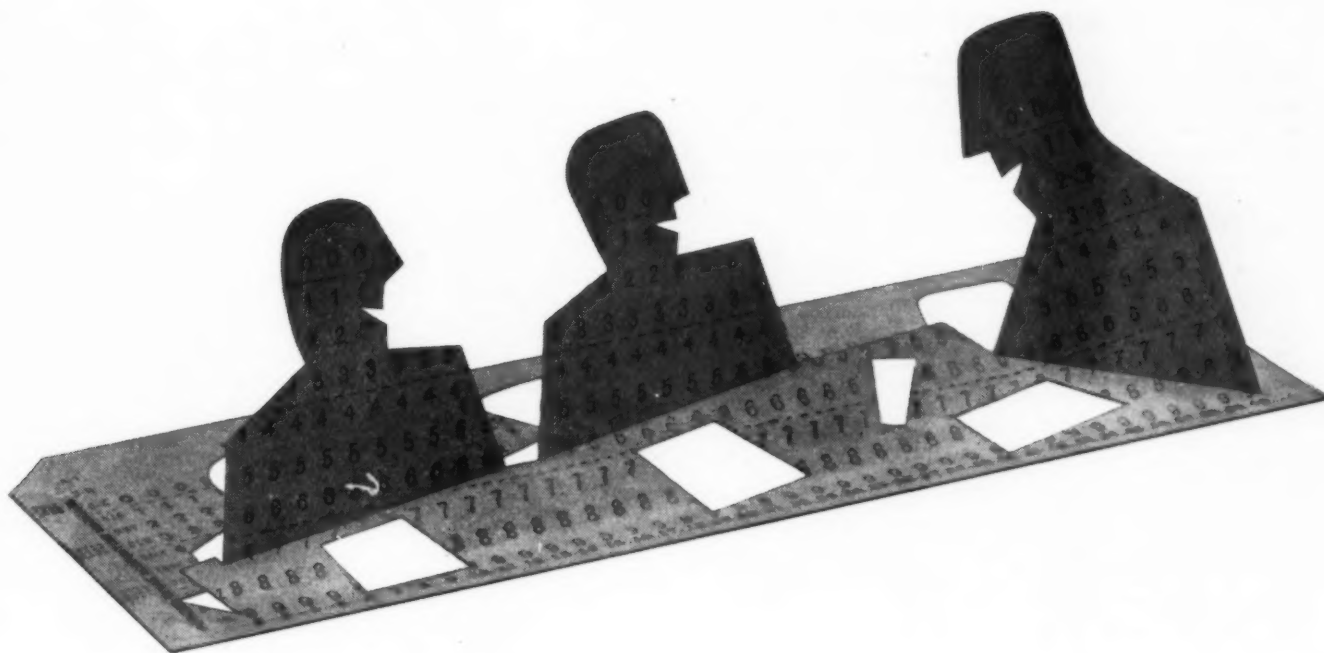
LECTURER IN SECRETARIAL SUBJECTS, for three-year course based on C.I.S. syllabuses. Candidates should be Chartered Secretaries or comparably qualified, preferably with teaching experience. Some lecturing in office management to accountants and local government officers in training may also be required.

LECTURER IN ACCOUNTANCY. Candidates should be Chartered or Incorporated or Certified and Corporate Accountants. Teaching experience at professional level desirable.

LECTURER IN ECONOMICS. Candidates should have good hon. degree; teaching experience desirable. The College encourages research.

Salary scale, including overseas pay: £750-£1,560. Initial salary according to experience. Posts are permanent and pensionable, but temporary appointments carrying gratuities and slightly higher salaries might be made. Furnished houses provided at moderate rental. Free first class passages, once each way for each tour of service, for persons appointed and wives: either passage allowance or maintenance allowance for up to two children under 18. Seven days leave for each month's resident service. Tours of service normally 10-18 months.

Further information may be obtained from Secretary, ADVISORY COMMITTEE ON COLONIAL COLLEGES, 1 Gordon Square, London, W.C.1, to whom applications (6 copies) giving details of education, qualifications and experience and naming three referees should be sent by October 17, 1955.



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Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . , c/o ACCOUNTANCY, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS VACANT

(See also page 402.)

THE SOCIETY'S APPOINTMENTS REGISTER
Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

COMPTROLLER OF THE LONDON COUNTY COUNCIL

Applications are invited for appointment from May, 1956, as COMPTROLLER OF THE LONDON COUNTY COUNCIL, at a salary of £4,500 a year. The Comptroller is the chief financial official of the Council and his duties include those of financial adviser, chief accountant, internal auditor and receiver and paymaster. Candidates should be skilled accountants with wide experience as financial advisers. Full particulars and application forms (which must be returned by Thursday, October 20, 1955) are obtainable from the Clerk of the Council (CL/G), County Hall, Westminster Bridge, S.E.1. Canvassing disqualified. (1390.)

EAST AFRICAN HIGH COMMISSION EAST AFRICAN INCOME TAX DEPARTMENT
Vacancies exist for Assessors of Income Tax in the East African Income Tax Department. The duties mainly consist of the computation and assessment of those Income Tax cases in which the taxpayers' returns are supported by Profit and Loss accounts and Balance Sheets. Initiative and intelligent anticipation are called for, and the work provides a variety of interest.

The commencing salary is £816 a year, rising by annual increments to £1,620 a year. In addition a Cost of Living Allowance is payable at present at the rate of 10% of the salary received in this scale. An outfit allowance of £30 is also payable.

Free passages on appointment, and to and from the United Kingdom on vacation leave are provided for the officer, his wife and children up to a maximum cost of three adult passages by sea or four by air.

Official quarters are normally supplied at a charge dependent on the accommodation offered but not exceeding £102 a year. A house allowance is payable if official quarters are not available. Leave terms are generous.

Applications are invited from University Graduates possessing at least a second class honours degree. Successful candidates would be placed on the pensionable service of the East Africa High Commission subject to a probationary period of two years. They will be given a two years' specialised training course in accountancy and Income Tax law and practice in Nairobi, and thereafter be liable to serve in Kenya, Uganda or Tanganyika.

Further particulars and an application form may be obtained from the Director of Recruitment (Overseas Service Division), COLONIAL OFFICE, Sanctuary Buildings, Great Smith Street, London, S.W.1, quoting reference BCD 92/88/03.

A CITY FIRM of Incorporated Accountants, with varied practice, have vacancy for Semi-Senior Audit Clerk with good accountancy experience. Apply, stating age, experience and salary required, to Box No. 175, c/o ACCOUNTANCY.

A LARGE ORGANISATION has vacancies for recently qualified Chartered or Incorporated Accountants aged up to 28 years in its mechanised and other accounting divisions. Vacancies exist in offices in London and the provinces. For the vacancy in the mechanised division, experience of punched card accounting and the use of electronic computers, although desirable, is not essential provided candidates are interested in this branch of accounting and intend to make it a career. The commencing salary will be according to age, qualifications and experience and will be in the £750-£1,000 per annum range; thereafter there are excellent prospects of early promotion for men of proved ability. A contributory pension scheme is in operation. Applications stating age and giving full particulars of education, qualifications and experience should be addressed to Box No. 185, c/o ACCOUNTANCY. All applications will be acknowledged.

A LEADING firm of Chartered Accountants have vacancies in their Birmingham office for young newly or partly qualified men. Box No. 129, c/o ACCOUNTANCY.

A COMMERCIAL organisation offers a career in the Tropics with excellent prospects for young men up to age 30 who have had sound experience as assistant accountants or auditors. Applicants should preferably have a professional qualification though not essential. Initial salary not less than £950 per annum. Free furnished accommodation, generous family allowances and free medical services. Contributory pension fund providing certain guaranteed benefits which include widows' and children's pensions. Initial kit allowance £75. The appointments are in British West Africa. Tours of about 21 months each followed by substantial leave on full pay. First-class passages are provided for men, their wives and children under 8. Write giving full details of experience and age to Box No. 9076, c/o CHARLES BARKER & SONS LTD., 31 Budge Row, London, E.C.4.

ACCOUNTANT, QUALIFIED, under 30 and preferably single, required by an old-established Merchant Firm for a Branch in Indonesia. Initial remuneration will be commensurate with ability and experience, with progression dependent upon merit. Liberal paid home leave. Outfit allowance. Pension Scheme and Staff Provident Fund. Box No. 193, c/o ACCOUNTANCY.

ACCOUNTANT, young, preferably qualified, for professional office in NAIROBI. Commencing salary £1,000 p.a. rising £60 p.a. Four year contract with four months' paid leave on completion; passages paid; annual bonus; pension and medical expenses schemes. Further details from OSS.67/2, OVERSEAS TECHNICAL SERVICE, 5 Welldon Cres., Harrow, Middx.

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AUDIT CLERK required for professional firm in SALISBURY, SOUTHERN RHODESIA, qualified senior position with initial salary in region of £1,000 p.a. according to qualifications, etc., with annual increments of £60. Passage out paid. Apply quoting OSS.51/12, OVERSEAS TECHNICAL SERVICE, 5 Welldon Crescent, Harrow, Middx.

CHARTERED Accountants, Birmingham, require managing clerk who will accept responsibility. Applicant must have initiative, organising ability and a good general experience including taxation. Particular qualifications are not a prerequisite. Salary at least £1,000 per annum. Box No. 192, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANTS have vacancy for Audit Clerk aged about 20 to 30 years. Apply stating age and experience to PLUMMER, PARSONS & HARRAP, 18 Hyde Gardens, Eastbourne.

ENGINEERING GROUP with headquarters in East London area, invite applications from RETIRED ACCOUNTANTS (qualified) with industrial costing or works accounting experience, on a full time or a part time basis. Salary on scale of £750 to £1,100 per annum according to experience and hours worked. Please reply to Box No. 194, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANTS, medium sized old established City firm, require senior staff at salaries of £850 or upwards, according to capabilities. Pension and luncheon schemes, 5-day week. Write full particulars to Box No. 179, c/o ACCOUNTANCY.

CITY Chartered Accountants with varied practice require two young qualified men to be directly responsible to a partner. Every encouragement afforded. Write stating age, experience and salary required to Box No. 190, c/o ACCOUNTANCY.

LEADING FIRM of Chartered Accountants require Experienced Senior and Semi-Senior Audit Clerks at their Bristol and Newport Offices. Aged 25-40. Varied work and good prospects. Pension Scheme. Write giving full details to Box No. 189, c/o ACCOUNTANCY.

OLD ESTABLISHED manufacturing company on the Sussex Coast requires a Cost Accountant to install and control a modern system of costing records, budgets and information for Management. The situation is open to men aged about 28, but might possibly be offered to an older man for a limited period. Full particulars of experience and salary required to Box No. 188, c/o ACCOUNTANCY.

PRICE WATERHOUSE, PEAT & CO., PERU, require young qualified accountants to augment their staff in Lima. There are excellent opportunities for speedy promotion. Basic salary, home leave on full pay with passages paid and annual bonus. Peru is a progressive country with a rapidly expanding economy and there are no restrictions on the remittance of savings. Applications to PRICE WATERHOUSE & Co., 3, Frederick's Place, Old Jewry, London, E.C.2.

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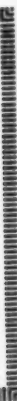
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